

[Shrimati Vyjanthimala Bali]

As they were the affected employees of IAAI, there was a direction from the Hon. Minister of Civil Aviation that the contract work would be given only to the society. As per this direction, the contract work of loading and unloading was given to the society upto January 1987. However, the contract has not yet been renewed.

Now the General Manager, IAAI, Madras Airport Cargo Complex has called for tenders, in contravention of the oral agreement with the society, which would render the affected employees jobless. It is felt that the IAAI should have absorbed all the affected 100 employees.

I, therefore, urge the hon. Minister for Civil Aviation to arrange for absorbing them into IAAI on a permanent basis.

12.19 hrs

REGIONAL RURAL BANKS
(AMENDMENT) BILL - Contd.

[English]

MR. DEPUTY SPEAKER: The House will now take up further consideration of the following motion moved by Shri Janardhana Poojary on the 23rd November, 1987, namey:-

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

Mr. Madhav Reddi.

SHRI C. MADHAV REDDI (Adilabad): The Regional Rural Bank Bill which is before us, as I said earlier, is a very important Bill, and a thorough discussion on this Bill is needed. We have allotted only three hours. I would like that this Bill is discussed for a longer time, because during the last twelve years, during the operation of this Bill, several developments have taken place, several problems have come to the notice of the Government

and the public. Several Committees, including the Dantewala Committee, Kamath Committee, and now the Kelkar Committee have gone into this question; and they had given a number of recommendations.

Before I go into the various aspects of the amendments which have been passed on the Kelkar Committee Report, I would like to mention one thing. With regard to the Annual Reports of the Banks, under the recommendations of the Estimates Committee - I think it was 62nd - it was suggested that every Annual Report of a Bank, consolidated report of a bank should be placed on the Table of the House. Except one report which came in 1983, subsequently no report was placed on the Table of the House so that we may know the actual working, the deficiencies in the working of the regional rural banks. It was started with a great fan-fare in 1975 on the basis of an Ordinance which was subsequently passed into an Act. At that time, when the 20 point programme was launched, this was one of the 20-point programme to remove rural indebtedness that this Bill was brought. The whole concept of this Bill was that there should be a multi-agency credit system to be introduced in this particular field. We had commercial banks which were mostly urban oriented; no commercial bank was prepared to set up a branch in the rural areas; and every time the Reserve Bank had to force these banks to go to rural areas and set up branches there. At one time the ratio was fixed that if a bank wants to open a branch in the urban areas, they have to open five branches in the rural areas; then only the permission will be granted for an urban branch. Every commercial bank wanted to set up branches, a number of branches only in the urban areas; proposals for setting up branches in the urban areas were pending with the Reserve Bank. Urban branches are very popular; they are able to mobilise resources. Rural banks have to suffer; there are no resources to mobilise in the rural areas. The outgoing is more than the deposit; and no bank was in a position to certify the profit which they are getting in urban areas to set up branches in the rural areas. This was the condition.

Similarly, cooperatives were in existence for a very long time and it was mainly the field of the cooperatives. But the cooperatives had their own disadvantages; they were not in a position to organise the deposits in the villages and their resources also were mainly based on re-finance from the Reserve Bank of India and now the NABARD. It is because of these two factors that the idea was to combine certain good aspects of the commercial banks and also of the cooperative banks that the idea of the setting up of the regional rural banks was mooted. It is a very revolutionary idea. I fully support the concept of the rural banking system and I am very happy that it has spread throughout the length and breadth of the country with about 13,000 branches. I welcome this. But I am aware of the propaganda which is going on particularly in the commercial banks circle that these banks are no good; they are incurring losses, these banks have to be wound up, they should work as a subsidiary of the sponsored banks and so on.

Now if the regional rural areas are non-viable today, who is responsible? This point was raised even in 1976 when the Bill was being discussed and at that time the Finance Minister, Shri Pranab Mukherjee said that simply because the base capital is low, it should not be taken that they are going to be non-viable. The main reason for the non-viability of these banks is that these banks are suffering losses. Certainly, these banks are suffering losses and the losses have gone to the extent of not only wiping out of the entire share capital because the share capital of all these banks is Rs. 49 crores. In Rs. 49 crores the Government of India has got 50 per cent of the shares, out of the rest 15 per cent are with the State Governments and 35 per cent with the sponsor banks.

The entire share capital of these 196 banks is today wiped out. The losses are more than the share capital. So, if you look at it, this is an alarming situation. It is an alarming situation because, these banks today are not in a position to mobilise more resources than they actually wanted to lend to the people. We have been told that the

deposits are of the order of Rs. 1600 crores as against the outgoings of about Rs. 1800 crores. The advances are Rs. 1700 or Rs. 1800 crores and the deposits are less than the advances. May be, the funds are coming from the NABARD and from the sponsor banks, because we have created these institutions and we have given this baby to the sponsor banks, a new concept of sponsor bank has been thought of and every commercial bank was supposed to sponsor some regional rural banks in the notified areas. Has the concept succeeded today? It was a very good concept but the losses or the non-viability of these regional rural banks was in-built in the whole system. The non-viability in the whole system came first of all because of the low capital base, or low share capital base. Secondly, it had to depend upon the resources of NABARD and the Sponsor Banks, and the Sponsor Banks had not bothered to finance these institutions at all. The NABARD has fixed a percentage of 30. Thirty per cent of the funds have to come. The share has been fixed at 30 per cent for the re-finance. On how much? There are many banks in which the share of the sponsor bank in the re-finance capital is hardly 20 per cent. There are some banks in which not even one per cent is there. And what is the rate of interest they are charging? They are charging 8 1/2 per cent for the re-finance for which the regional rural banks are getting from the sponsor bank whereas the NABARD is charging only 7 per cent. The rate of funding and the actual rate of borrowing and the rate of return on the banks is so low that it is extremely difficult for these banks to operate viably with this small margin. This is an aspect which has been missed when the Bill was being introduced and certain safeguards have not been provided.

I am very happy now that on the recommendations of the Kelkar Committee, the Government has come to the conclusion that the share capital has to be increased. But I do not see any signs of the paid up capital being increased in spite of the fact that the Minister has made a statement on the floor of the House the other day that the issued capital will be increased from Rs. 25 lakhs to

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Rs. 1 crore. But I do not see that in the Bill. In the Bill what you are doing is only enhancing the authorised capital from Rs. 1 crore to Rs. 5 crores. Now, where is the increase in the paid up capital? After all what all the capital is? It is nothing. The real thing is how much is paid up capital; how much money you are giving. The issued and paid up capital, you said is going to be Rs. 1 crore for each bank but it is not mentioned in the Bill. I was going through the financial memorandum and it speaks of nothing. It says that, "It cannot be estimated". Today, you say that the financial commitment of Government of India cannot be estimated at this stage. So, you are silent about it and Bill speaks that the issued capital is going to be between Rs. 25 lakh and Rs. 1 crore. For all we know it could be only Rs. 25 or Rs. 35 lakh. In spite of your commitment, I take it as a commitment, as an assurance on the floor of the House, that you are going to increase the paid up capital to Rs. 1 crore and there is no going back on this the present proportion of the three shareholders, i.e. the State Government, the Central Government and the Sponsored Banks is going to remain. I do not know whether you have consulted the State banks in this matter because it is going to be a commitment on them also. If you are going to increase the paid up capital to Rs. 1 crore, the commitment of the State Government is going to be about Rs. 22 crores and your own commitment will come to about Rs. 49 or 79 crores. My point is that when you are not in a position to assess as to what would be the financial commitment of the Government of India with regard to the paid up capital of these banks, then how can you say that we are going to increase the paid up capital of these banks? There is no such indication in this. Nevertheless, I think that because of your commitment, while speaking you said that it is going to be enhanced to Rs. 1 crore, I take it that there is no going back. By convincing the State Government, by convincing the sponsored banks and by committing yourself you are going to increase the paid up capital to Rs. 1 crore and the total capital that you are going to increase, what is it

going to be ultimately? Out of Rs. 1 crore if you have 196 banks today, it is a simple arithmetic and you can easily calculate and know how much your share is going to be. Then why do you say in the financial memorandum that it cannot be assessed? I just cannot understand. It could be clearly assessed. You have to calculate and say that on the basis of the existing number of banks, I am not talking of the banks which are going to come in future, may be you may have to start some more branches, what your capital is going to be.

Coming to the question of viability, as I said earlier, viability is mainly dependent on the policies, particularly the financial management of the banks. Now, what is the present management, the financial management of the banks? The Financial management is so poor that the Managers do not have any trainee. They do not know how to invest their funds. The sponsored banks are not interested in these banks. They are treating them like their step children. They do not want these banks to exist because they think that we have thrust these banks on them. They do not have any commitment at all except sending their officers on deputation to these banks they have done nothing to develop these banks and nurture these institutions which was very very essential. That was the whole idea. The idea was that these commercial banks must nurture these institutions, develop them so that they can discharge the functions of meeting the rural credit; meeting the credit requirements of the poorest of the poor and the target groups

I understand that there were certain Banks which had not taken very keen interest in financing the target groups. I am not going into that question at all, but the facts show that these Banks had a large number of borrowal accounts and a large number of deposit accounts. Their deposit accounts are as high as about one crore and fifty lakhs. Their deposits are small deposits and they could mobilise these deposits from small people. Similarly, their borrowal accounts are also very large, about Rupees seventy lakhs or so. If seventy lakhs are their bor-

rowal account, then the average loan account comes to about eighteen hundred rupees or so, which means I presume based on these facts that they have been financing to the weaker sections of the people. If there had been any discrepancy, certainly they may be because of the individual deficiency of the local Managers. But by and large these Regional Rural Banks had done a tremendous job and created a good impact on the rural area and there should be no talk of winding up these banks or dispensing them because they are incurring loss.

Regarding viability, I was mentioning about the refinance. Why should not they be given refinance facility by the sponsored banks on the basis of the NABARD rate? The NABARD is giving at the rate of seven per cent interest. If NABARD is able to give the refinance facility at the rate of seven per cent interest, then why not the commercial banks give at the same rate and why should they charge more? Similarly, when the funds of these banks are deposited with the sponsored banks, what is it they are getting? Today they are getting hardly about eight per cent. Why should they not give ten per cent? When their surplus funds are deposited with the sponsored banks, they are getting only eight per cent. These are the matters which had been gone into by the Kelkar Committee and these should be incorporated.

I know that there are certain matters which need not be brought into the Bill. But while administering the Act, you have to take these things into consideration and see that suitable instructions are given to the commercial banks, sponsored banks and NABARD, so that there may be no difficulty in bridging the gap between the cost of the funds and also the rate of return on the lendings by these RRBs.

I would like to mention another factor which is disturbing is with regard to the loss. The total losses today are of the order of about Rupees ninety crores. Now what are you going to do with it? Unless the shareholders— the Government of India, the State Government and the Sponsored Bank

jointly take a decision that all these losses have to be wiped out by giving a subsidy and by giving some sort of a grant, I am afraid many of these banks are going to continue as non viable units. This has been recommended by the Committee. The Committee has clearly said even as early as 1975 when actually the Bill was not introduced in this House. The Narasimhan Committee said:

'The viability has also a time dimension. The discussion on viability tends generally to be in financial terms for a financial institution. It is indeed appropriate that this should be so. However, where the objective of the type of the financial institution is socio economic, an initial period of financial loss may well be the price worth paying for the achievements of the larger social objectives of widening the area of credit coverage.'

This was said in 1975 itself before actually the RRBs had been launched. It has been foreseen that there is going to be a loss period, may be for five years or so.

I do not know of any commercial bank, which has opened a branch in the rural area, having made any profit. These profits which are coming from the urban areas are going to meet the losses which these banks are suffering in the rural areas. This is so because you wanted these banks not to give loans to anybody except the target groups. When you want these banks not to operate in the urban areas or semi-urban areas, when you want these banks to go and set up branches in the hilly areas, in the backward areas, in the interior areas, in the tribal areas, when you want them to give loans only to the target groups, how do you expect these banks to make profits and that too within five years? You cannot judge the viability of these RRBs in such a short period. I feel that the loss was inevitable, it is in-built. It is because of certain wrong policies pursued by the NABARD, by the sponsored banks that they have suffered these heavy losses. These losses will have to be covered by giving them grants from the shareholders, that is, the

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State Governments, the Central Government and the sponsored banks. The sponsored banks may grudge but they have to be told that what they are giving is only a portion of the loss which they would have themselves suffered had they opened the branches in the rural areas. We have prevented them from opening the branches in the rural areas...*(Interruptions)*

MR. DEPUTY-SPEAKER: Please conclude now.

SHRI C. MADHAV REDDI: Sir, I will take another ten minutes. I am not saying something which is irrelevant. It is a relevant subject and I am speaking on a very very important Bill. In this Bill, some important decisions have to be taken. The amendments which have been moved are not sufficient. We want that more amendments are moved and a comprehensive Bill is brought before this House, in which all these defects are removed and these RRBs become a great vehicle for the development of the economy in the rural areas.

In this connection, I would further like to mention that the RRBs have spread their branches in the rural areas, but there are certain areas which have been left out. I am not in favour of opening new branches in certain areas where already lot of branches are existing. But there are certain districts where there are no banks at all. All the districts have not been covered. There are eighty districts which have been left out. These have to be covered. Similarly, in the spread of these banks, there is some sort of a regional imbalance. If you see the banks which are operating in the East, particularly in the North-East, we find that their percentage is very negligible. In the South also they do not have the same percentage as in the North or in the Central India. In the West also, where the cooperative movement is very well developed, where the entire funds of the NABARD and other institutions are going because of a very developed cooperative movement in Maharashtra and Gujarat, the

RRBs are more in number. But there are certain States where the cooperative movement has not made any dent in rural areas because they are in defaulting position. Because they have become overdue, they are not able to get anything from NABARD and hence they are not able to give anything to the farmer. The branches have to be spread in certain areas so that the regional imbalance which has crept in is removed.

Similarly, as far as the Credit-Deposit ratio is concerned, the recent instructions from the NABARD show that they have advised these banks to see that their CD ratio is brought down to one hundred. Is it possible to bring down the CD ratio to one hundred? In other words, what they are telling is that they should lend only to the extent they are receiving the deposits. Whatever deposits they receive, to that extent only they should lend to the people.

To-day the average C.D. ratio is said to be about 130 and the R.R.B.s are having about 200 or even more. This cannot be brought down. There is need to bring it down because if this is brought down then the programme will suffer. The programme of finance reconstruction in the villages is definitely going to suffer if C.D. ratio, as advised by NABARD is brought down. Instructions have been given. These instructions have to be withdrawn. Please see that NABARD does not insist on C.D. ratio of Rs. 100.

Coming to the question of the role of the sponsored banks, I am happy that the sponsored banks to-day have been given a bigger role in this Bill. The Chairman is going to be appointed by them and not by the Government. It is good that the Chairman may appoint their own Chairman as they feel more responsible. At the same time certain more powers have been given - that they can inspect, that they can give training to the employees and they can take up the internal audit and so on and so forth. These are good steps and the steps in the right direction. I support these steps. At the same time you have to insist that if any RRB suffers loss

under a particular bank i.e. the sponsored bank, that bank must be held responsible. When you assess the performance of that particular commercial bank, you have to see the performance in relation - regional bank under that particular bank. The performance of that Bank should not be judged merely on the basis of their own performance. The performance of the Regional Rural Bank under that particular bank also must be taken into account while judging the performance of that particular bank. Unless you do that the bank is not going to take that much of interest as they should take and I am afraid, in spite of the amendments brought, the amendments are not going too far to make them more responsible and to make them accountable for the functioning of the Regional Rural Bank under their control.

With regard to short term credit, the entire short term credit to-day is being controlled by the co-operative institutions in the villages. The short term credit in the villages is essentially the credit to the farmers. There is no other short term credit. There are industries where working capital is given. When we say short term credit in a village, it is essentially a short term credit, a crop loan - something to the farmers. Now that is a thing which has been entirely taken over by the co-operatives because they are getting the funds from NABARD at the lower rate of interest. They are able to extend the short term credit to the farmers and this business is not available to the Regional Rural Banks. We have to see that the business activity of the Regional Rural Banks is increased so that their viability is increased.

How are you going to do it? You can do so. I am not suggesting that they should permit these banks to open lending to anybody including the richer farmers and so on and so forth. I am against that. The image of this bank as a poor man's bank must remain. That should not be tarnished. But at the same time you can instruct these banks to see that they finance institutions such as the House Building Institutions for weaker sections, such as Scheduled Caste Finance Corporation which has got various activities

in the villages - such as Panchayat institutions. These institutions can be financed because their rate of return is more and it will be remunerative for the Regional Rural Banks to take up the finance of these institutions and this has not been mentioned in the Bill. Executive instructions could be given to see that this business is transferred to them so that they become more viable.

Sir, coming to the question of staff, about the staff you said that about 46,000 people are working today in officers' grade, Clerks' grade and the subordinate staff. There are about 46,000 or 47,000 people working in this organisation. They require training. We could give training to about 28,000 or 29,000 staff and the rest of them remained untrained. When such a stupendous task is given to them, of financing the rural economy, particularly the weaker sections, those officers who work there require motivation. They should be properly motivated today so that they give loans to people who are in need of money because when I have found out that they are giving consumption loans in the drought affected areas to the small people, I was really surprised. Their main objection was that the loan can be given on the basis of group guarantee. Some consumption loans can be given, say Rs 500 or Rs 700 or Rs 1000 can be given on group guarantee basis to the people so that they may eke out their living, they may live for some time and that is not being done. Actually, the same mentality of the banks is still there, who insist on security. So, Sir, these people require training, they should be properly motivated. They do not have any facilities for training. If the facilities are not there, the NABARD should be given the responsibility for giving the training.

Coming to the question of their emoluments, their salaries, etc. I am going to suggest that they should be on par with the salaries of the Commercial Bank employees. No. If that is done, then naturally it is not going to be a low cost banking. According to today's information, their salaries are on par with the State Government employees. Their salaries are on par with the local bodies' employees in that particular district. But wh-

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ile I agree to this, I can't concede that there should be disparity from one bank to another; there should be disparity from one State to another State. There could be some unanimity within the ambit of the law so that there should not be a situation that in one district, the salaries are more and in another the salaries are less. That should not be the position because that will cause a lot of heart burning to employees.

Sir, I am very happy that the NABARD has taken a decision to set up forums in each State and these forums are going to work in each Bank and they are going to sort out these issues. It is very good. But this is not mentioned in the Bill.

Finally, coming to the question of promotional chances, the promotional chances are not there for them. It is a genuine demand that they should be considered for officers' cadre for a group of banks, like some managers, area-managers or group managers whatever you call them, but the posts should be created so that they may go and supervise the operations of the Regional Rural Banks. These managers have to come from the lower cadre to the officer cadre so that they may have some promotional changes and that way we can satisfy their aspirations and we can see that these banks work efficiently and discharge their duties properly.

[Translation]

SHRI P. NAMGYAL (Ladakh): Mr. Deputy Speaker, Sir, Regional Rural Bank was established in 1976 and to make further amendment in it, this Bill has been brought forward. While supporting this Bill, I want to throw light on certain points.

In the beginning, its aim was to give fillip to the rural economy such as agricultural sector, rural trade, commerce, industry etc. so that economic conditions of small farmers, poor farm labourers living in rural areas could be ameliorated and their poverty could be removed. For this purpose this Bank had been established.

I do not know as to how its activities are being carried on at other places, how much

progress it has made there and in what way, the people have been benefited. But about Jammu and Kashmir, I can say with all the emphasis at my command that there has not been any impact of this Bank there. There are several reasons for this. I appreciate the purpose for which this Bank was set up. Its object was laudable and it had been set up with good intentions. But, as the hon. Minister has said - I do not remember the correct figures - this Bank is functioning in one hundred and odd districts out of about 300 districts in the country. Still this Bank's coverage falls short of expectations. It is generally complained that its financial position is not sound. The aim of this Bank is to provide assistance to the poor and the poor who seek loan from the Bank are not educated and do not know about banking. They do not know about the procedure of Banks. Secondly, Bank does not have capital also, because due to poverty among the people, less deposits are received in the Bank. Generally it has been reported that this Bank is not viable. Therefore, many times it happens that despite willingness on the part of Bank to help the poor, they do not get loan as the Bank does not have capital. Due to unsound financial position, the Bank is not in a position to advance even small loans of Rs. 5000 or Rs. 6000 which the Bank generally advances. As the poor are not able to get loan, they feel frustrated and abandon the idea of getting loan from the Bank.

13.00 hrs.

Secondly, it is also alleged that there is large scale corruption in these banks. Sometimes even one third of the loan amount is eaten away by corruption in Bank or on conveyance.

Ultimately, the loan amount cannot be fully utilised and the purpose for which loan is granted remains unfulfilled.

13.01 hrs.

*The Lok Sabha adjourned for Lunch till
Fourteen of the Clock.*

The Lok Sabha reassembled after Lunch at five minutes past Fourteen of the Clock

[MR. DEPUTY-SPEAKER *in the Chair*]

REGIONAL RURAL BANKS
(AMENDMENT) BILL - *Contd.*

[*English*]

MR. DEPUTY SPEAKER: Mr. Namgyal to continue his speech. Be brief.

[*Translation*]

SHRI P. NAMGYAL (Ladakh): Mr Deputy Speaker, Sir, I was referring to the corruption prevalent in the banks. The loan amount advanced to the people is very less and a major portion of it is misappropriated

Similarly, the poorer sections of our society living in the rural areas are not willing to go to the banks. They should be educated in this regard. It is essential to encourage them. Instead of getting encouragement, they are harassed and, therefore, they avoid going to the banks. This reduces the business of these branches and their viability is lost. Unless commercial transactions are allowed in these rural banks, they cannot be viable. Therefore, in order to maintain their viability, rural banks should undertake commercial transactions as well. This will improve their financial position also.

Mr. Deputy Speaker, Sir, I am not aware of the number of branches of rural banks in the State of Jammu and Kashmir, but I know that generally people have to face difficulties in getting loans. In the hill areas and particularly in Ladakh, people are afraid of going to banks because in the first instance, people have to travel for several days to reach the banks and secondly, they are required to fulfill a good number of formalities for getting loans. Besides, corruption in the banks is another factor inhibiting people in this regard. In the matter of property verifica-

tion, guarantees etc., they are harassed a great deal. Mostly the financing is done by the Jammu & Kashmir bank, but there is so much corruption in that bank that if you complain against an officer, he is promoted. There are several cases in which one-third or even half of the loan amount was lost in corruption. The rural banks have been set up for the poor people, but these people are not getting benefits from these banks. Government should open its branches in the distant, hill, deserted and tribal areas so that the people of these areas are able to reap the benefits. Provision should be made for commercial banking also so that these banks may be viable. Two amendments have been made in this Bill. Firstly, the authorised capital has been enhanced from Rs 1 crore to Rs 5 crores. Secondly, issued capital should not be less than Rs 25 lakhs and more than Rs. 1 crore. Both these amendments are welcome. Alongwith it, while supporting this Bill, I want to suggest that permission should be granted to allow commercial transactions in the banks. They should be converted into commercial organisations so that they become viable. With these words, I support this Bill.

[*English*]

SHRI K S. RAO (Machilipatnam): Mr. Deputy-Speaker, Sir, I only rise to support the Bill for amending the Rural Bank Act 1976. The principle and the intention underlying in bringing this Act in 1976 is really good and with a view to serve the needs of the people in rural areas. When we see the functioning of the rural banks, we feel, rather the circumstances tell us that the rural banks must also be made an instrument for implementation of this 20 Point Programme. In fact, now when we see the Cooperative banks functioning in different parts of the country, we find entirely the politics playing in the cooperative banks, whereas in nationalised banks or the rural banks, it is not so. And when we see the present condition of the credit cooperative institutions in the various parts, most of them are shallow because there are no funds, most of them are

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siphoned by some vested interests and all that. Today, the real poor people who are law abiding who have repaid loans either in time or delayed, they are not being given loans on the plea that the bad debts are too many. Many of the defaulters are either wilful or are because of the natural calamities and loss incurred by the various people.

In regard to implementation of 20 Point Programme, particularly in my State Andhra Pradesh, it is entirely limited to a particular party. Lot of partiality and bias is being shown in giving these loans and the subsidy which entirely goes only to a particular section of the people who are either surveillant or in their fold.

SHRI BASUDEB ACHARIA (Bankura):
How do you identify beneficiaries there?

SHRI K.S. RAO: I can tell you that in regard to identifying the borrowers, the method that is adopted as per the guidelines is that they must conduct a credit camp openly coming to the villages and giving extensive publicity that on such and such date, the committee is coming to identify borrowers. But they don't do so. They only sit. They don't inform even. They sit in a particular office of a particular party and talk to local partyman and take a list from him and give the entire credit to them only. Ultimately, the bank manager who is a party to it cannot help because the list is filled up only with one set of people. Keeping this in view, I am of the opinion, that this implementation of the 20 Point Programme can also be done through regional rural banks which are particularly wedded to this section. In a village, what all is required is that the right borrower should be identified. Then only the entire principle of banking system can function well. In identifying the right borrower, no amount of money will go waste. If thousands and thousands of crores are given to a wrong man, not only the bank is spoiled and is becoming bankrupt but even the society or the

economy will not be growing. I wish the Minister to take into account this aspect and see that the rural banks function in much bigger way with more capital support and more lending support from the NABARD.

Today when we see the rural banks, most of them are suffering for want of money. There are no funds at all. For name's sake, it is rural bank. But there are no funds. I wish the Minister to take this aspect into account. When recruiting people for rural banks they must check up whether the particular employee has got a commitment to the poor, has got a commitment to the rural areas. He must also have the rural background and get himself identified with the rural masses. If that is not so, when a person who is employed comes to the rural areas today, the very next day he would be asking for a transfer to Hyderabad or to the nearest city. He never keeps his mind and would not be interested in going to the village and put his heart and soul in identifying the right borrowers. Unless the people who are employed in rural banks have the motive to help the rural foe, to help the rural people, nothing can be done.

I also wish that the rural banks of the Government of India must take initiative to start rural training centres particularly to improve the skill of the people, depending upon their needs. Unless the poor borrowers acquire the proper skill in their own professions, this amount will not help them.

This must be restricted only to agricultural and rural sector, only to give small loans which are simultaneously being given by the nationalised commercial banks. Let there be a demarcation between the commercial banks and the rural banks and let the commercial banks restrict only to major borrowers—whether they are industrialists, traders or major businessmen—and let the rural banks be confined only to small sector. This requires strengthening of the staff also in the rural banks. There is a shortage of staff

in rural banks. When the major commercial banks are handling thousands of crores of rupees, they never pay attention to the poor people. Their interest is only in dealing with a few number of people with major transactions running in lakhs or crores. When a poor man comes to them, they are not interested in him. The reason is that they are not only not committed, but they think that transacting with a rich man or a major borrower is more easy and more secure. But it is not so. Statistics also reveal that the loss is more from the major borrowers, traders, industrialists than it is so from the poor men. Many of them are making extensive publicity that the loans that are given to the poor people are not being paid back. It is absolutely incorrect. Even some of the surveys reveal that the repayments from the poorer sections of the borrowing community is much more compared to the richer sections or from the industrialists. So, let not the Ministry or the people be carried away that the amount lent in rural areas to the poorer sections is going to be written off. It is absolutely not so.

Economic viability is another aspect of the rural branches. As it is, the present statistics reveal that each branch is handling on an average about Rs 6/- lakhs or Rs 7/- lakhs. Certainly it is not enough. When the number of people are more, when we want to concentrate on preventing urban migration, when we want to strengthen the rural economy, we must give more money, more committed and trained people not only from the bank side but also from the borrowers' side to the rural banks.

We have been discussing about it on several occasions with every Ministry also, but not enough is being done to train the rural people, particularly to improve the skill of the unemployed generation. Till such time we don't train them to improve their skills, we will not achieve the desired results. It will only lie in our papers or discussions in the Parliament or in the State Legislatures and it will not be translated into action. We find a lot of

gap between the principles and the implementation of the programmes.

Of course, I know that particularly Mr. Poojary is working hard to see that these programmes are implemented particularly with the poorer sections of the society - by which, perhaps, he must have been considered by many of the senior management people of different banks as an enemy to them! But I would support him and suggest to him not to be perturbed by this. He must go vigorously in this direction and see that the poor people are helped.

Regular surveys also must be conducted so that we will know how the banks are functioning and how the programmes are being implemented. In regard to giving cash subsidies, I would say that the money that is being pumped through the 20 Point Programme is not being utilised properly. I don't understand what is the difficulty in passing on the subsidy to the people through the rural banks, so that the money that is given as loan can motivate the people to work hard, to generate wealth, share the wealth and repay their loan also. By repaying, they will be increasing their chances of taking more and more bigger loans. I wish the rural people must be enlightened about the good that will be done by prompt repayment rather than by writing off.

Some of the State Governments are resorting to writing off hundreds of crores of rupees. By this, even the genuine people, who are repaying, will be motivated not to repay. This will be destroying the entire lending structure and the financial institutions. I wish responsible public men should not resort to writing off in a big way unless specific instances are there where a particular individual has suffered a loss not because of his mistake but because of the natural calamity or some genuine reasons. Let it not be a common feature. If it is repeated, the entire banking system will collapse and nothing will be done to improve the economy or the poor people.

[Shri K.S. Rao]

Basically, banks require recycling of funds. The success and efficiency depends only on recycling. If hundreds of crores of rupees were to be either sick or become bad debt or even not to be circulated fast, once again, the purpose is not served. So, the more the recycling of the funds, the more the success of the system. So, I request the Hon'ble Minister to strengthen the rural banking, spread it, increase its functions and achieve the target.

SHRI BASUDEB ACHARIA (Bankura): Mr Deputy Speaker, Sir, we expected that this amending bill would incorporate all the important recommendations of the Working Group, known as Kelkar Committee, appointed by the Ministry of Finance. But I am disappointed to find that some of the important recommendations are not there. Had those recommendations been also included, that would have made the regional rural banks more viable. I doubt whether the regional rural banks, even after this amendment, would be able to serve the purpose for which they were set up in 1975.

In 1954, the All-India Rural Credit Survey Committee had envisaged a well-defined role of commercial banks. Thus, the Imperial Bank of India was converted into State Bank of India in that year. But what was our experience? The State Bank of India was entrusted with the task of helping the rural poor. The commercial banks, because of their urban culture, have really shirked in helping the rural-folk-agricultural workers, poor peasants, rural artisans, etc.

In 1960s, the cooperative banks started helping the rural poor. But the structure which was the main stay in that decade was not requisite enough to meet the new challenges, both organisationally and operationally. Thus Government decided to set up Narasimhan Committee and this Committee recommended the setting up of rural banks to help the rural poor who were in indebtedness and the poverty of the rural poor was

on the increase. What was observed by this Committee while recommending for setting up of rural banks? Why could not the commercial banks and co-operative banks discharge the responsibility or the task which was entrusted to them? The main disabilities can be summed up as arising from their inability to mobilise adequate deposit resources, managerial weaknesses, their functioning marked sometimes by dominance of vested interests which have come in the way of their efficient functioning, especially effective supervision of credit and the inadequate coverage of the small and marginal farmers. Another weakness has been the limited absorptive capacity of refinance from the higher tiers because of the inadequate non-overdue cover. As a result the scale of finance actually disbursed by the co-operatives has not been in conformity with the requirements of technology intensive agriculture. Some of the commercial banks also failed to serve the rural poor. What was the objective of these rural banks? The objective is to take the banking services to the doorsteps of the rural poor, rural masses, particularly, in unbanked areas to make available the institutional credit to the weaker sections of the society who have no access to cheaper loans and forced to depend upon the private money lenders, to mobilise rural savings and channelise them for starting production activities in the rural areas, to create supplementary channel for flow of credit from the central money market to the rural areas through refinance, generate employment opportunity in rural areas, to bring down the cost of purveying credit in rural areas. After so many years of experience, we have to see whether these objectives have been fulfilled or not. What is the condition of the rural poor in our country? Government claims that with the help of various schemes and a number of poverty elevation schemes like NREP, RLEGP and IRDP, the rural poor are looked after, that a percentage of the population which was below the poverty line is now above the poverty line. But this is not the fact. Even after 40 years of independence, more than 50 per cent of the population is below the poverty line. Percentage is more in the rural

areas particularly the agricultural labourers, poor peasants and rural artisans.

The rural indebtedness has also increased. The institutional credit which was 7 per cent earlier is now 40 per cent of the total rural credit which is about Rs. 5500 crores. But still it is 40 per cent of the total rural credit. The rural indebtedness is now about Rs. 13,500 crores and after forty years of independence still the rural poor, the agricultural workers, the poor peasants, the rural artisans have to depend on the unscrupulous money-lenders. This is because of the class character of the Government; all the planning and programmes are to serve the purpose of capitalist class and landlords. Though we abolished zamindari a long time back, the zamindari system is still in existence in a number of States. The land ceiling laws have not been implemented properly, in many of the States all the surplus land has not been acquired and the land which has been acquired has not been distributed to the landless. The main problem is the problem of land reforms. Unless there are land reforms in the true sense of the term, unless the 40 per cent land which is in the hands of 5 per cent of the people who are not real peasants is distributed among the landless agricultural labourers, the purchasing power of the rural people, agricultural workers cannot be increased. That problem is not being solved by the Government.

Then, the IRDP programme. The Public Accounts Committee has gone in depth into the working of the IRDP programme and they found that the beneficiaries were not being properly selected. The State Bank of India also appointed a Committee. They conducted a survey and it was found that most of the beneficiaries were not genuine, the loans and subsidies given by the Regional Rural Banks were not found in tact, and in many cases it was found that the assets were not existing at all and had been sold. The loan is being given, subsidy is being given, but there is no proper infrastructure. IRDP programme has failed in most of the cases

This Bill seeks to strengthen the structure of the Regional Rural Banks. Now, there is a rural bank for one district, or in some cases one regional rural bank for three or more districts. And now there are about 183 regional rural banks throughout the country. There are a number of districts. Out of 433 districts, there are rural banks in 356 districts. Now, there is a provision that these 1, 2 or 3 rural banks can be amalgamated. So, what is the experience of these long 10 years? Why there should not be one rural bank for one State? Regarding the task of helping the poor, giving them loan, assisting the rural artisan, assisting and helping the agricultural workers and poor peasants, why it is done only by the rural bank? So, I would say that in rural areas rural bank should operate and there should be one rural bank for one State.

When this rural bank was set up, NABARD was not there. It came into existence in the year 1982 or perhaps 1981. Now, one commercial bank is to be the sponsor bank of the rural bank. NABARD is there and it can be the sponsor bank of these rural banks.

MR DEPUTY-SPEAKER: Please wind up

SHRI BASUDEB ACHARIA: There are more than 44,000 employees and it has been stated in the Report that about 29,000 employees were trained. In 10 years out of 44,000 employees only 29,000 employees were trained. This aspect is very important because these rural banks are entrusted with special task. They are entrusted with the task of helping the rural poor, assisting the agricultural workers. So, the training, their motivation as the commercial banks and cooperative banks also failed. When these special tasks have been entrusted with the rural banks, the training aspect is very important. The motivation aspect is very important.

Regarding the pay structure, it has been stated that the pay scales of the rural bank employees will be the same as that of the State Government employees. Why there

[Shri Basudeb Acharia]

should not be a uniform pay scale throughout India? Why there should not be equal pay for equal work? If the employees of the rural banks are discharging the same function as that of the commercial bank employees, then why should not the pay and allowances of the rural banks employee be at par with the commercial bank employees? The case regarding the pay and allowances is now with the tribunals. It violates Article 14 of our Constitution, which contains the provision on right to equality. Therefore, there should at least be uniform pay scales throughout India. Now, there will be some change in the Board of Directors. There will be two non-official nominees from the Central Government. The State Government can nominate only two officers. When there is a provision for the Central Government to nominate two non-official members, why should there not be the same provision for the State Government also?

We are talking about participation of workers in the management. There should be some provision for the representation of the employees in the Board of Directors. Secondly, there is no negotiating channel in the rural banks. The employees have their own association. Though this Association represents the majority of the employees, it is not recognised by the rural bank management. There should be some negotiating channel so that the grievances of the employees, their demands, etc. can be discussed in that forum. But this provision is also not there. Without incorporating some of the important recommendations made by the Kelkar Committee, I doubt if the Rural Banks can carry out the task entrusted to them. They would not be able to play any important role in future, unless these aspects are looked into.

[Translation]

SHRI RAM NAGINA MISHRA(Salempur):
Mr. Deputy Speaker, Sir, first of all I want to thank the hon. Minister of State in the Ministry of Parliamentary Affairs for giving me an op-

portunity to speak. I support the Regional Rural Banks(Amendment) Bill brought forward by the hon. Minister for discussion in the House.

Along with the amendments, I want to make some suggestions. I want to do so because I belong to the rural areas. I am aware of the day-to-day problems which the farmers are facing. This bank has been named as Rural Bank which means that the people living in the rural areas will get financial assistance from these banks. Earlier there were moneylenders who lent money to the farmers but now that system has been done away with. Now the banks advance loans to the farmers but the situation still is very miserable. The leaders of the opposition have great sympathy for the employees of the banks but these employees and officers pay little attention to the farmers when the latter approach the former for loans. These bank officers think that the farmers are poverty-stricken and have come to them with a begging bowl. They never feel sympathetic for them but treat them as beggars.

Secondly, this bank was set up for advancing loans to the farmers when they need it so that they may improve their agricultural production. Funds are required during the sowing period but banks would give them loans when that period is over. The formalities are not completed and that causes delay. I request the hon. Minister to conduct a survey to find out the percentage of the farmers who are able to get loans from these rural banks. Actually speaking, the farmer is unable to get loans from these banks. He runs from pillar to post for 15 or 20 days and draws a blank. Only those people are able to get loans who have some connection with the bank employees but it is very difficult for others to get it. Sir, we have seen that such people are also able to get loans whose names are not found in the patwari's register. They do not have any land in their name. They get false certificates from the village accountant and on the basis of that get loans in collusion with the employees of the banks. I am prepared to give the names also. There is one man in my village. He does not have

any holding anywhere in the village but you will be surprised to know that he has got Rs 30,000 as loan from various banks and he has left the village. Therefore, I want to submit that the intention with which you had established this bank for granting loans to needy people is not being fulfilled. One problem is this that 'No-Dues' certificate has to be obtained from everywhere in order to get a fresh loan. He has to get a 'no dues' certificate from the Tehsildar after having paid all his outstanding dues. In case he has not paid the ground rent and Rs 100 or Rs 200 are outstanding, he has to pay it back with interest. A 'no-dues' certificate is issued to him only after he has got his dues cleared. These are some of the problems due to which the people at large are not able to get loans. If he has to buy a pair of oxen he has to run ten times to the bank for it. These days bribes taken for such purposes are not called bribes but are called commission. Until the person is able to give the commission, he does not get the loans. There are certain norms evolved in this respect. The amount of commission varies according to the amount of loan. It is not bribe in their view. You will rarely find a bank where the employees are not in collusion with some agents. This is the kind of harassment which the people have to face, for getting a loan and about it, the less said, the better. So far, we have been talking about rural banks. The situation in other banks is also the same. I can say without any hesitation that the unemployed or the educated unemployed are not able to get loans without paying commission to the employees of the bank. I am talking about my area. When I was on tour there, I saw that a man was not able to get the loan even after completing all formalities. I had also given my recommendations and when the applicant approached the bank with my recommendations the bank manager told him to go to the M.P. instead of going to him. I told the S.P. about it. He said that he could not do anything about it, and added that if it was a case of vigilance and he was caught red-handed while taking bribes then something could be done. It is a malady of a great magnitude and nothing is being done about it. The farmers are greatly harassed even

today. More rural banks are being opened. You find out correctly as to how many farmers have got loans through these banks. How many small farmers with two or four acres of land have got loans? They have not got the loans. The big farmers have got loans to buy tractors. You may ask those farmers and they will tell you how much trouble they had to undergo and how many recommendations had to be brought and how much commission had to be paid. I would like to know whether these banks were set up for the welfare of the farmers or for some other purposes. Who are the real beneficiaries? The people working in the banks were reaping the maximum benefits. If you get a survey conducted of the managers who have been in the same bank for 5 to 7 years, you will find a noticeable change in their standard of living. In spite of being in the ruling party, I am criticising the Government for this malady of bribe-taking, so that the Government becomes more efficient in checking it.

- I was submitting that you should conduct a survey to know the standard of living of those bank managers who have been occupying this position for the last 5, 10 or 15 years. It is alright that raids are being conducted today. But you should get the houses raided of the high ranking officers in the IAS and other services. Government should find out what their standard of living was prior to their joining the service and how much has it improved now. You will find items worth Rs 50, Rs 20 or Rs 10 lakhs in their bungalows. Sir, what is this? An ordinary man is apprehended and action is taken against him but these senior officers are spared.

I want to inform the hon. Minister that I belong to the rural areas. I want to suggest that a survey should be conducted to find out as to how much fertiliser is required during the Kharif season and how much is required during the Rabi season. This survey should be conducted by the banks. Bank employees should make an assessment of

[Shri Ram Nagina Mishra]

their requirements for fertilizers and seeds and loans should be advanced to them accordingly. If such an action is not taken then the scheme of giving loans will not serve any purpose. I think that perhaps, this will provide some benefits. The benefits of this scheme will then reach the people at large and the farmer will no longer have to keep his land mortgaged to get loans and he will be able to increase the agricultural production.

Sir, I belong to the Gorakhpur, Deoria districts of Uttar Pradesh. The districts from which I hail have 20 to 25 Sugar mills. The farmers there are engaged in sugarcane plantations and supply the produce to the sugar mills. If some branches of the rural bank are set up in the vicinity of the sugar mills and if the farmers get the cost of sugarcane through these branches then they will be relieved and the mills will also be benefited. If banks advance loans for meeting the cost of sugarcane supply to the mills then it will also be beneficial for both. This will increase the number of branches of the rural banks and benefit the farmers as well as the mills. I want to request the hon. Minister that the requirements of the farmers for buying fertilizers, tractors, pumping sets etc. should be met by issuing loans to them through the rural banks and for this purpose the number of branches should be increased.

I want to request that in addition to the directors whom you are going to appoint at the Central and State levels, you should appoint two farmers also so that they can also assist in the investigation and the people living in the rural areas can be relieved.

With these words, I support this Bill.

SHRI DHARAM PAL SINGH MALIK (Sonapat): Mr. Deputy Speaker, Sir, I support the Regional Rural Bank (Amendment) Bill, 1987. Everyone feels that this amendment bill will strengthen the rural bank net-

work. After the passage of this Bill, these banks will be able to provide financial help to the farmers, labourers and petty traders and it will ensure expansion of these banks and as a result there will be more development in rural areas.

Sir, I want to make two or three suggestions. These banks were established with a view to free the poor people and farmers from the exploitation of money lenders. Whatever the poor villagers used to earn throughout the year, went to the money lenders. The intention of the Government was that no poor person should be exploited and that he should get all those facilities which are normally available in the urban areas. But we have been able to achieve this objective only partially. In this august House also we always talk of extending this facility to eighty percent of the people living in rural areas.

14.56 hrs.

[SHRI ZAINUL BASHER *in the Chair*]

But only a very small portion of the benefit which we talk of, reaches those people. One reason for this is that the poor person does not get full loan. There are many difficulties in this. The procedure of advancing loan is so complex that it is beyond the comprehension of common man and majority of the people are ignorant of various schemes introduced by Government. So in the local fairs, markets and through press and radio, information about those schemes, about functions and objects of these banks and various laws meant for poor people should be disseminated. Through this only can we ensure benefit to them in real sense.

Secondly, these people know only that they can get loan from the banks, but they are not able to get its benefit because the procedure and the form, etc. are so complicated that the bank employees and the middlemen sitting outside banks exploit them. If one is to get a loan of rupees ten thousand,

he has to first spend two to two and a half thousand of rupees in completing the initial process and then has to repay rupees fifteen thousand for a loan of ten thousand. Thus, for a loan of fifteen thousand, he gets only seven thousand five hundred, which he is not able to repay in time. His condition remains the same. Earlier, he was in the clutches of money-lenders and now he is in the clutches of banks. So, the intention of the Government is not fulfilled.

For this, my suggestion is that the poor person should be given the same facility of maximum credit limit which is given to the traders. Supposing you fix a credit limit of rupees five lakh for a factory owner. He can draw that money by giving a cheque at one time. Similarly, for the common man who is either a farmer or a labourer, a credit limit of rupees ten to fifteen thousand can be fixed. He can be given a pass book and he can carry on his work by issuing a cheque as and when necessary. Does a big trader alone works honestly, does not a rural labourer, or farmer work honestly? I would rather like to say that he is more honest. The poor is exploited and there is none to hear his grievance. The laws which are passed here, do not prove beneficial for them. This is my strong suggestion that a survey be conducted of all the families of these people and a credit limit be fixed for them and copies thereof be distributed among them. I do not say of my State Haryana only, you can see in any State today the loan-politics is going on. We say that we will give you maximum loan and the opposition party members tell them, 'you take loan from them and we will write off your loan.' It means that a poor person's right to vote—being purchased. This is exploitation of that poor person. For this, rules and regulations are there.

15.00 hrs

In our State our present Chief Minister gave the slogan during elections. "You take loans and I will write them off." But later, he said that he would remit loans only to the ex-

tent of rupees ten thousand. We fail to comprehend such utterances. The result is that today the whole economy of Haryana is shattered. It will not be a surprise if our nationalised banks may also fail. The Chief Minister openly says that 'nobody would come to you to take the loan back from you. If I do not remit it, even then the police is mine, you need not repay the loan. If some employee comes to the village to recover it, you beat him with shoes.' Should we mutely go on watching it? This is what we have to see. There is a proper legislation as to in which cases we can remit loan and in which case we can extend such help. But some people are taking undue advantage of their poverty. My suggestion is that, in this matter, the Central Government should enact a law which should create a feeling in every State that we should work for the development of the people and not towards their destruction. You can look at the deposit figures of Haryana. People have lost their faith in banks. The feeling is that if loans are remitted, they will be remitted at the cost of depositors. The loans will be given against their deposits. You can get this verified. There is a fall in bank deposits in Haryana. People have started withdrawing their money from banks. I agree that this was a political and election slogan. With this electoral slogan the economic condition of the common man of the state is getting worse instead of getting better. The bad effects of this would be felt by us after ten years. After that, it will be known that those poor people will have to pay interest, penalty fees and fines on their debts. I say that they will be entrapped as before when a farmer's thumb-impression used to be studied in the money lenders' cash books and he could not sleep in peace. This happens in every State. So the hon. Minister must make a statement in this regard. The benefits that we are giving to farmers for their development and upliftment are proving to be disadvantageous to them. One thing more which I would like to say is that bank loans are given for buying pumping sets, tractors and other agricultural implements and to start a business. Usually, there are listed agencies for sale of pumping sets. Banks issue cheques in favour of those

[Shri Dharam Pal Singh Malik]

agencies only and ask the loanee to purchase pump sets only from them. In this way, they too exploit the farmers. Is there any farmer whom we cannot trust? The farmer is the most trustable community. He sows his foodgrains with faith in God. If we still do not trust him and say that if we give him loan, he will misuse it for domestic purposes like marriage, etc., then we are not fair to him. We allow benefits to shopkeepers, middlemen, but not to farmers. My suggestion is that when a farmer is given loan, there should be no stipulation that he should buy a thing from a particular shopkeeper so that he is not exploited. In the fields, his pump set is left to the mercy of God. Then how will he misuse this money. Only the purpose for which he takes the loan should be fulfilled.

There are many other things to be said but I will only say that more and more benefits be given to farmers. Whatever suggestions I have given should be considered and the condition of farmers ameliorated. The farmer is our back-bone and he is the foundation of our economy.

With these words I conclude and support the Bill.

[English]

SHRI THAMPAN THOMAS(Mavelikara): Sir, I find not much enthusiasm either in supporting this Bill or in opposing this Bill because it is very innocent, ineffective and innocuous. The hon. Minister seeks only to enhance the share capital to five crores for reshaping the Board and also some facilities for training the staff, inspection and something like that.

I would like to suggest that there should be an indepth study of the problem on very many questions which have already been raised on this floor such as overlapping of jurisdiction and also overlapping of interest,

that is there may be an opportunity for the conflict between the Cooperative Banks, which is now serving the rural masses in certain parts of the country very effectively by way of Service Cooperative Banks, which is coordinated by the District Cooperative Banks and also the State Cooperative Banks which by and large comes under the State jurisdiction, and which is ultimately controlled by the NABARD and the Reserve Bank of India. Some studies will have to be made to find out whether it will conflict in any manner and if so, how to avoid and how to coordinate this matter. This is the one point which I would like to make very emphatically because the coordination between the cooperative movement and the Regional Rural Banks is very much imperative and necessary and that should be made. The second thing is on the point of jurisdiction. It seems that in these banks there is no uniformity in the matter of jurisdiction. It is according to the convenience of the sponsor banks. From the sponsor banks, what is intended is to get some money from commercial banks for the purpose of distributing it to the rural public. The idea is good. It can also be channelised by the Government in certain other matters. Unless there is uniformity in the matter of jurisdiction and also in managing the administration, it may give rise to many other points. Therefore, in that matter also, some enquiry has to be made and something has to be done in that manner.

Then, how the State Governments are going to be associated with this? It is another problem. How NABARD and the Central Government are going to be involved? How the State Governments are going to be involved in this matter and whether there is any provision for that purpose and in what manner you are going to have it either in the Board of Directors or in the administration. Two nominees in the Board is suggested therein. In regard to capital augmentation also, how the State Government can cooperate much more? I would like to know if there is any suggestion for that also. Anyway I would like to suggest that much more involvement should be given in this.

I support the suggestion of my previous speaker that there should be a representative of the farmer in the Board of Directors and farmer cooperators have to be involved in this matter very much. With regard to staff, there is already a very big complaint among the staff working in Regional Rural Banks. When they see that they are being discriminated against the people who are working in LIC, GIC and other banks, there is a heart burning. They are doing the same type of work in hazardous conditions. But they are not given the same salary as is given to the staff of the sponsoring bank. I think, they should be given some incentive so that they are attracted to do the work in rural banks and give service to the rural people. In that aspect also a study has to be made. I think, the hon. Minister will have to bring some amendment after evaluation is made on this aspect. I hope, he will bring the amendment very soon because the problem is really serious.

Coming to the rural indebtedness, how far we have been able to free the rural people from indebtedness? By taking all sorts of measures how does the picture of the national economy stand today and how much we could increase the per capita income of rural population? Yesterday, I also pointed out that in my State, in spite of the fact that the people are more educated and are having some other facilities for their livelihood by getting money from abroad, etc the per capita average increase in income is .06 per cent. When a State like Kerala is having the per capita average income of .06 per cent, when are we going to come upto the level of our neighbouring countries? I think, we may even go below Bangla Desh in poverty line. We must make earnest attempts to increase the per capita income of the people in the rural areas by providing them loans and other agricultural facilities. For the purpose of development of the nation much has to be done. Rural indebtedness is a very serious problem of this country. This has been emphatically said in this House and also a Government study which has been conducted in this matter, has revealed that. Still

you know that an agriculturist has to pledge his crops to the person who is lending money in the village. He is the king still. He still controls the life of the village in the country. How are we going to take away the importance of such people?

Recently very sad incidents have taken place in my State. The private money-lenders have flourished all of a sudden. They started constructing big buildings in the name of Aditya Finance, Muttoo Brothers and all that. These people take money from the poor people as deposits. They give it away to industrialists and finally the poor people, who have deposited the money are suffering very much. How are you going to regulate private money-lending business? No effective steps have been taken either by the Reserve Bank or the Government of India in this regard. I have raised this issue before the hon. Minister. I have pointed out certain cases of Aditya Finance. He has pointed out to me that certain people have been arrested by the State Government and that he cannot do anything else. In this way he has expressed his inability to do something in this matter when crores of rupees have been swindled by these people. One fine morning they liquidate their shop and the poor depositors are at their mercy. There is no central law for regulating this business. Some effective steps should be taken by the Central Government in this regard. State Government may be arresting some people. But that is not an effective step. There should be coordination between the State and Central Government in such matters where people are misusing the money of the public and going away scotfree. In this connection, I would like to support the establishment of Regional Rural Banks. There should be involvement of the people in such banks so that they have belief in such banks which are sponsored by the Government or by the cooperatives rather than going to be slaves of money-lenders. I earnestly request the Central Government to take steps for this private money-lending business. Those people who cheat the public should be given maximum punishment. Government should

[Shri Tampan Thomas]

see that a legislation is brought on these lines.

Another thing which I would like to point out is the survey which was recently conducted in Gujarat and which was published in *India Today*. The survey pointed out that benami loans were availed. In the name of hundred persons, one person will put the signatures and he will collect all the money and he will use that money for some other purposes. Mostly they will not use that money in the Villages. Whereas we are intending to develop the villages and to build up the village economy, but here the money which is intended for that purpose will be taken away by people for some other purposes using the names of poor people and poor villagers. Finally, you are not getting that money back. Somebody may say that there are write offs. In this connection, I would like to point out certain things. Take, for example, agricultural loans taken by the agriculturists during drought situation from the cooperative banks. I know that because the cooperative banks had sufficient funds, they could write-off the interest. My State did it and about Rs. Six crores were spent from the State cooperative banks for writing off the interest portion of the agriculturists who had taken loans from the cooperative banks. Such things we could do. Why? Because a body which is there, had the money with them. So, they could give it. They were earning the money, so, they could take a decision. Therefore, I welcome the establishing of rural banks under an organised forum, under the control of the Government which should see that such helps are also given in times of distress and difficulties. With these words, I say that I am not at all opposing this Bill. I say that you should bring, as early as possible, better and coordinated amendments in this manner, looking into the whole picture

SHRIMATI BASAVARAJESWARI(Bellary):
Mr. Chairman, Sir, I welcome this Bill wholeheartedly. I am very happy that most of the members from the Opposition benches have

also welcomed this Bill. All these days they were very much critical of the Loan *Melas*. At least today I am very happy that they have given a very constructive suggestion about this Bill.

Sir, Madam Indira Gandhi was a very revolutionary lady who had nationalised all the banks. At the time of introducing the 20-Point Programme, she started these Rural Banks throughout India. She was bold enough to start these branches in the rural sector. She had also given a slogan "*Garibi Hatao*". To overcome this, she was kind enough to start many branches in the rural sector. The main object of these branches is to develop the rural economy by providing development loans to the agriculturists, artisans, trade, commerce, industry, etc. Also, she wanted to see that the rural areas get credit and other facilities for the small and marginal farmers and agricultural labourers. She wanted to lift them above the poverty line. With this object in view, many branches have been started throughout India.

As per the statistics, about 341 districts have been covered by the end of 1986 and 8,213 branches have been started. As far as disbursement is concerned, they have already disbursed Rs. 1,408 crores. Advances outstanding up to the year 1985 have amounted to Rs. 70,62,89,300 and borrowings have amounted to Rs. 41,70,40,200. This shows that there is a lot of improvement in the rural banking system. Many people have criticised the viability, the recovery position and so on. When we compare the cooperative sector and the commercial banks, I feel that the borrowings as well as payments of these rural banks are very much healthy. There are some difficulties which we are facing to-day - after ten years of our experience. There is lot of regional imbalance. There is lack of personnel training. Most of the RRBs are incurring heavy losses and most of them are non-viable. To overcome them, many committees have been set up and various reports are before the Government. To overcome difficulties the hon. Minister has brought forward this Amending Bill.

He wanted to increase Authorised Capital from Rs. 1 crore to Rs. 5 crores and Initial Capital from Rs. 25 lakhs to Rs. 1 crore. I welcome this measure because many many new schemes are coming and regional population is growing very fast. To overcome difficulties we should have sufficient amount for the working of the Bank.

At the time of working, there is lot of criticism. I do understand, we are facing a lot of difficulty because we are dealing with the most unorganised sector. They are not educated, mostly the farmers. I think we have to take it, whatever may be the inconvenience that we are facing, in a very good manner. I do understand that the Branch Managers, some of them, are a little bit corrupt and there are some agents who are involved at the time of sanction of loan. There are some Branch Managers who do not involve themselves in anti-poverty programmes. There are managers who do not behave properly with the poor when they come to the bank. There are managers who refuse to give loan to the poor people. There are some Branch Managers who do not follow the guidelines given by the superior officers. There are so many Managers who are ignorant of the schemes which are very much beneficial to the weaker sections of society. All these things are being seen every day. But how to overcome this, is a question?

Hon Minister has brought forward that training should be given hereafter by the sponsoring branch. I welcome it. Hon. Minister has also stated that the promotion of such officers is dependent upon their performance. He has advised them to go to the village and conduct credit camps two days in a week. Also they should go from village to village and understand their problem. If such measures are taken, I think, the performance and lending system will improve.

Regarding the staff, there are 45,000 employees who are working in the various branches. We should also look into the matters of their welfare. After all, they have to go to the villages. They should work in the interior villages. If such is the case, we must see

that they get proper facilities also. Many of them refuse to go and work in the villages because they have no house to live and proper facilities to live there. Even the Banks sometimes are finding it very difficult to locate their Branch Offices. How to overcome these difficulties, we should think seriously. We should try to overcome them. We should try to provide them with better shelter to live in and to work in the rural areas. Hon Minister suggested that the Branch Manager and sometimes the Chairman too should visit the rural areas.

In order to visit rural area, we should provide them some vehicle to go from village to village and to understand the problem. So, also there should be proper follow-up. After the loans are sanctioned we should have proper programme, so that the beneficiaries can be kept in mind and follow-up action can be taken to overcome some such inconvenience. So, these facilities should be provided for the staff.

Sir, in some of the banks, very recently widow pensions are being distributed by the bank. Now this work is being entrusted to the banks instead of post offices because there were criticisms here and there about disbursement of pensions. But I find that there is not much efficient staff to take care of the pension disbursement as far as the widow pension is concerned. So also in regard to insurance, now very recently we have introduced crop insurance scheme and various crops have been covered under such scheme. But the premium has been deducted at the rate of 2% from the farmers who take the loan. But whenever there is natural calamity like pests, floods, droughts or any epidemic when the farmers ask for the compensation from the Insurance Companies, I have been told that they have not been given compensation by the Insurance Companies. This should not have happened. Once the premium is deducted from those who borrowed, whatever is due to the farmers, it should be paid immediately. I would like to refer here one example. Whenever there is epidemic, there is disease, there is natural calamity, it is very dif-

[Shrimati Basavarajeswari]

difficult for the farmer to repay the loan which he has borrowed under short-term loan. On account of this difficulty, the bank is not in a position to give loan to the farmer for the next crop, as they become defaulters. But it is not their fault. It is because of the natural calamities they have become defaulters. Mostly they have to depend on the certificate from the Departments. They find it very difficult to get the certificates from the Agriculture Department in the State or from the Revenue Department. They are not willing to give the certificates. Under such circumstances, bank should come forward to give further loans to the farmers for the next crop season. Moreover all the short-term loans should be converted into the long term loans without insisting on them to produce certificates. This should be taken care of by the Government.

Sir, all these national programmes are there. I understand that there is a lot of misuse of funds and the money earmarked for this purpose does not reach the beneficiary and so many criticisms are made. Now, the point is how to overcome these difficulties. I would like to give some concrete suggestions for this. I was chairing on some other day in the past when the previous Finance Minister, Mr. V.P. Singh was also in the meeting. He had made a categorical statement on the floor of the House that to overcome the difficulties, we may set up a Committee to look after all these schemes like IRDP, NREP, RLEGP, SEUP, SC & ST development etc. and the concerned MP will be made as Chairman of the Committee. That is what he had stated and I do not know how far the proposals are implemented and working in various Departments. I have been told that the Ministry of Finance had one or two meetings with the Rural Development Ministry and a decision is yet to come out. If the responsibility of monitoring all these schemes is given to one person, I think to some extent we can solve these difficulties. This is my suggestion as far as the rural anti-poverty programmes are concerned.

Finally, Sir, regarding the loan melas whatever has been stated in this Bill, is in the interest of the poor people and the loan melas are also for the same people. In this connection, I would like to ask the hon. Members, whether they are interested in anti-poverty programmes. If so, why are they criticising so much about the loan melas? It has been mentioned that they would disburse loans as early as possible. Then, what else are we to do here? I don't think any Member of this House should criticise loan melas if they are really interested in the anti-poverty programmes in the rural areas. If not, they could have given some constructive suggestion as to how we should overcome such inconvenience, how the loans should reach the poor properly and what best we can do to see that most of the loans which we are giving go for productive things, and the borrowing power of the person who is living in the remote village will be increased so forth. These suggestions, if they give, I think it will be more useful and I hope that Members will give such suggestions hereafter.

With these remarks, I conclude.

PROF. NARAIN CHAND PARASHAR (Hamirpur): Sir, I support the Regional Rural Banks (Amendment) Bill, 1987. The Minister of State who has introduced this Bill in the name of the Minister of Finance has given the Statement of Objects and Reasons. It partially fulfils some of the aspirations and demands that have been made on the RRB. The RRB is a very good institution and it caters primarily to the rural areas. After the nationalisation of banks on 19th July, 1969, the coming of the RRBs was another useful step for rural development and similarly, the setting up of NABARD was also a step in the right direction in July, 1982.

Sir, with the functioning of the RRBs for over a decade now, some lacunae have been detected, some shortcomings have been found out and the first thing that comes to my mind is that the RRBs were meant to cover the entire country especially the rural areas. But it is unfortunate aspect of the

situation that even now all the districts are not covered by the RRBs. Some districts are covered by the RRBs and others are left out and whenever this matter is brought to the notice of the Ministry, they give the argument that other areas are being looked after by the nationalised banks. So, the nationalised banks are also looking after those areas which are being covered by the RRBs. So, there are two types of districts now. In my humble opinion this is discrimination. There are districts covered by the nationalised banks as also by the RRBs; there are districts which are covered by the nationalised banks and not by the RRBs. So, this is a positive discrimination against certain districts which should be brought to an end and I would plead with the Minister of State for Finance, Shri Poojary, to look into this aspect.

Secondly, it has been said that they are supposed to serve the rural areas and it is some sort of a banking system which is called the low-cost banking system. Now, low-cost banking system at what cost? Is it at the cost of the employers only, that you pay the employees less than you pay the employees of the nationalised banks? So, who are these? How do we compare? The All India Associations of RRB employees have been time and again demanding that there should be a parity of payment of salaries and other emoluments, facilities etc. with the other employees who are employed by the nationalised banks. Sir, to my mind there is no valid reason as to why there should be discrimination between the emoluments of the RRB employees and those of the nationalised banks. There should be uniformity, though there is one good thing that the RRB employees are treated on a regional basis. They are recruited from the same place. So they are nearer to the people than those who are brought through all India competition. But that is no reason why they should be paid less. So, this principle of having low-cost banking system at the cost of employees only by paying them less is a very discriminatory sort of system which should be ended forthwith. The RRB employees are

rather entitled to more advantages because they are banks which refuse to open branches in the rural areas. Sir, the Minister of State, Shri Poojary, knows that the United Commercial Bank refused to open 19 branches for which the licences were granted by the Reserve Bank of India to this Bank in Himachal Pradesh. They refused to open a single branch saying that they have enough rural branches now and they are not in a position to open any branch. The Minister instead of taking any action against the bank, allowed the Reserve Bank of India to give the licence to other banks which will take their own time. So, the result is that the very purpose of rural development for which the branch licensing policy, for which the rural credit system are all being launched by the Central Government is defeated in the process. So, in all fairness, if there are certain commercial banks which are nationalised which refuse to open their branches in the rural areas, then those banks which are opening their branches in the rural areas should be given some encouragement and those employees who are working in the conditions which are not fit for the well-paid employees or probationers, whatever you call them, should be given more credit. They should be given some encouragement. They should be given appreciation. I plead for giving better emoluments and uniform emoluments to the employees of the RRBs at par with the employees of the nationalised banks. I want stringent action against such banks which are nationalised and which refuse to open their branches in the rural areas, after having obtained their licence. They know that they are to open their branches at the time of survey, at the time of applying licence to the Reserve Bank of India and there is no valid reason for not opening the branches after certain formalities have been fulfilled and after a period of one or two years have passed. So, the Ministry should look into this also.

Secondly the control of the RRBs was formerly with the NABARD. This is some sort of diarchy. It is very interesting that the Branch Licensing Policy of the RBI governs the opening of the branches of the rural

[Prof. Narain Chand Prashar]

banks. The rural banks also have to get their licences under this policy from the RBI. But the control was so far with the NABARD. Now, through this Bill, it is being proposed that the sponsoring bank may be in a position to monitor the functioning of these branches. So, there is going to be further deterioration in the monitoring system. It is because, if a bank is sponsoring the rural bank in the rural areas, i.e., Gramin Bank, then the same bank is being asked to supervise now. Formerly it was the RBI which used to exercise that control and monitoring. Then it was for the NABARD to exercise control over its functioning. Now, lastly the Minister is very generous and he has passed on the baby right to the father or the parent of the Gramin Bank. Whosoever sponsors the bank let him also exercise control and monitoring, inspection and all that. So, to my mind, this is not a very healthy practice. It will further deteriorate the functioning.

I would welcome the various points that have been made here. One stipulation is that the authorised capital is being raised from Rs. one crore to Rs. 5 crores. When you are raising the authorised capital and also you are raising the issue capital from Rs. 25 lakhs to Rs. 1 crore, the only thing that you are not raising is the salary of the employees so that they may function properly. What is the reason, I do not understand. We should be in a position to provide various facilities. You are making the banks more powerful by giving them additional powers and all that. So, you should also be in a position to give better training and better emoluments to the people who are sweating in the rural areas. I can say, working in the dust and din of the soil rather than to those people who are threatening you every day launching this type of agitation, that type of agitation, declaring bank holidays, closing down banks in the cities. They are doing all the mischief here in the cities and you are not giving any encouragement to the people who are working in the villages, in the rural areas. Please look after them. They are also serving the nation and at difficult places.

Similarly, I would also welcome the other suggestion, regarding nomination of directors. But I fail to understand one thing. In the banking system, the people's representatives find no place. The MLAs, MPs and the Panchayats, Panchayat Samitis and the Zila Parishads are beyond the ken of the banking system and they do not have any recognition. Perhaps, the banking people with too much of money with them do not recognise the fate of the people who are having sweat on their brow and who are earning their livelihood by working for the rural people. There should be a stipulation. The State Government is paying some money for the setting up of these banks. The Central Government is paying some money. The sponsoring bank is only paying a little. 50 % is being paid by the Central Government. So, why can't the Central representatives of the people in Parliament, have a say in it? Similarly, the State Government is paying 30 % or 15 % or whatever it is. There should be a representative at the State level also. So, I plead for this. If the banks are to deliver the goods and if the system which you have started and initiated is to come up to the expectations which were in the mind of Shrimati Indira Gandhi when she nationalised the banks, when she set up the RRBs, when she set up the NABARD, then those aspirations can only be fulfilled if the cooperation of the people at the grassroot level, at the level of the representatives of the people is involved. I would not like to say anything about other aspects. But I would certainly say that these various activities organised by the banking system in the past year have yielded good results and the loan melas may be criticised by people but they have done positive good to the people of the rural areas. The Minister of State in the Ministry of Finance Shri Janardhana Poojary has taken personal pains. I would appreciate his efforts in toning up the banking system and in extending the credit to the needs of the rural people who are far away from the din and noise of the city. He has saved the people from commercial shops but what needs to be done is that for those employees who are working in this system and who are to run the system - because the rural bank

cannot be run by a MP or MLA or a Director or Chairman and it has actually to be run by the personnel working in the field - better facilities have to be suggested like transport, office accommodation and all that. For this purpose, I have said earlier and I say now also that the lead bank scheme should be looked into properly and examined and instead of lead bank for a district, we should have lead bank for a block. Unless we decentralise the banking structure of the country further to the block level because each block in the country has now roughly a population of a lakh or more, till then justice will not be done. For example, there is a lead bank in a district but there are only one or two branches and in certain blocks, there is no branch at all. Therefore, it is not expected to do justice to the needs of the people in each block if it has not even a single branch. Therefore, the lead bank needs have to be looked into though it does not come under the provisions of the rural bank. Yet the sponsoring banks and the nationalised banks would be able to serve the people better in case the lead bank is further decentralised and at least one branch of the lead bank of the district should be established in the Headquarters of each block of the district so that responsibility is fixed and there should be a further review. Review by NABARD, by sponsoring bank and by Reserve Bank is no review at all because it is only financial review. What we need is performance review. We need to know from the people whether a panchayat, zilla parishad, panchayat samithi, MLA or MP or a certain Branch has been able to deliver the goods in the area in which it is set up or not. Therefore, the performance review is a must if these banks are to deliver the goods and if they are to fulfil the hopes with which Shrimati Indira Gandhi launched this scheme of banking system in the country.

[*Translation*]

SHRI VIJOY KUMAR YADAY (Nalanda):
Mr. Chairman, Sir, while speaking on this Bill, first of all, I would like to speak on the views

expressed with regard to the improvement of this system.

The Government accepts as a matter of policy that it is not possible to operate any institution in a better way without the co-operation of workers and therefore, the Government have adopted the policy that there should be workers' participation in management. After the experience of the last 10 or 11 years, it has been proposed to amend this Act. Then there is no reason that the representatives of Workers' Union having support of majority of workers should not be nominated on the Board of Directors. I would, therefore, like to suggest that the hon. Minister should consider this matter.

You have said that two non-official representatives shall be included in the Board. If you include the representatives of farmers or farm labour who are closely connected with the rural banks, there could not be any objection to it, but if the Members of ruling party are nominated on the Board of Directors, then it is meaningless to have non-official representatives on the Board. It would be better if there are no non-official representatives on the Board.

Many hon. Members have said that the financial position of the employees of these banks is miserable and the employees of these banks should also be paid wages available to the employees of nationalised banks. The employees of RRB have to work in far flung areas and under the same conditions in which the workers of the other commercial banks have to work and the Government have accepted the principle of equal wages for equal work. Therefore, the employees of Rural Banks should also be paid equal wages and given similar facilities. This is the demand of the employees of the RRB, but the Government refuses to accept the demand on the plea that a very huge amount is involved in it. I would like to say that Government itself encourages the employees to indulge in agitations, strikes and work to rule agitations. The policy of the Government encourages them to indulge in such things. I think that the Government

[Shri Vijoy Kumar Yadav]

should improve the situation before it is too late and accept their demand for equal pay scale.

Mr. Chairman, Sir, I want to raise a basic issue and it is about the nationalisation of banks. Nationalisation of banks was done due to tremendous public pressure. The money of the common man was deposited in the banks and benefit from it was derived by a handful of persons or the industrialists. Keeping in view these conditions, the nationalisation was done on popular demand and I think that the Government had taken a correct step. With a view to remove poverty and to open the doors of banks for the poor to make them self-sufficient and for the progress of farmers, banks were nationalised, but people could not get full benefit out of the nationalisation of banks. There was basic change, there was a basic change in policies on paper, but we could not get hundred percent success in achieving the aim for which banks were nationalised. RRBs were set up so that common man could get full benefit thereof, but the way money lenders were exploiting the people on a large scale and the people of the country were harassed by them is still continuing. Even after the establishment of Rural Banks, the rural people are still in the clutches of money lenders. We would have to give a serious thought to it. What is the reason? Just now an hon. Member was saying that persons who possess land should be sanctioned loan and he was also giving an example that certain people who do not own any land are being sanctioned loan. I would like to say that it is the policy of the Government. It is the policy of the Government that the landless people should be provided loan from the banks. I would like to submit that the hon. Minister should give a thought to this. It would be better if a Commission is set up to find out the lacunae in the banking policy due to which the money lenders still have an upper hand and they are still functioning as money lending agencies. There are many items of expenditure such as marriage ceremonies, sickness, studies of

children, house building etc. for which banks do not provide loan to the poor workers. Some method can be devised for realising such loan. If you want to achieve the aims for which you have opened these banks, you must make arrangements for providing such loans. Earlier, the money lenders used to charge compound interest and the people were exploited and, today, the banks have taken their place. If a poor man has once taken loan from the bank, then interest goes on mounting. You should give thought to this problem. Today the people are afraid of these Rural Banks as they were afraid of money lenders earlier because these banks indulge in exploitation of the people in the same way. I think that for any welfare Government, it is not good to misuse this policy.

With these words, I support this Bill.

15.53 hrs.

[SHRI SHARAD DIGHE *in the Chair*]

[*English*]

SHRIVIJAY N PATIL (Erandol). Mr. Chairman, Sir, I wonder why this Amendment has been brought forward at this juncture. Is it only for accommodating one Director from among the officers of the Reserve Bank? I would like to know this from the hon. Minister, because the other provisions are more or less the same, but there is lot of restructuring in the constitution of the Board of Directors. Not only that, earlier the State Government could nominate even non-officials as Directors, but now, because of the Amendment, only the officers will be nominated on the Board of Directors of the Regional Rural Bank. I would like to suggest that, at the State level, also non-officials should be appointed on the Board; especially, one Director nominated by the Central Government and one Director nominated by the State Government should be from agriculturists, progressive agriculturists, because in the name of Regional Rural Banks if we are going to control these Banks

through officers only, then there will not be any progressive thinking or favour done to the farmers.

One good feature in this Amendment is about the amalgamation of two or more Regional Rural Banks if it is found necessary. I would like to suggest that as the nationalised banks are having many branches in the rural areas, now we should not extend network of this regional rural banks in other areas specially where the district cooperative banks are functioning well. We should allow them to advance loans to the farmers, to the artisans and to other rural industrial entrepreneurs. In such areas, these rural banks should not encroach upon. What we find is that after the establishment of NABARD, many times the advancing of loans to the rural institutions is delayed, because there is one more supervising authority, one more approving authority before the loan is disbursed by the State level bank, for example, by the Land Development Bank in a State. The NABARD takes more time. Its regional office also requires some time to clear the files and the procedure for allotment of loan is delayed. Our objective in establishing such banks is to increase the facility for giving more loans, giving loans in the quickest possible time. But that is not being achieved.

Sir, with the decrease in the rate of interest on the deposits in the nationalised banks, I would like the Government to make a survey as to how much deposits have been reduced because of the decrease in the rate of interest. Private people, private institutions are giving more interest and depositors are now turning to private small institutions and moneylenders for depositing their small amount. In rural areas, what we find is that just like sick industries, the farming profession in some areas is also becoming sick and we should try to evolve method to remove this sickness in the farming profession. Otherwise, Kisan Sangathan led by Sharad Joshi and other leaders will try to spread their tentacles in other States in the name of sickness in the farming profession and thus

giving less prices to the farm commodities. Just like measures adopted by the Central Government in case of sickness in industry, here also in some areas because of the repeated drought year after year, some method of giving relief in the rate of interest, relief in the instalment should be found out by the Central Government. This should be implemented through the branches of the nationalised bank and this sickness should be reduced.

Mr. Chairman, Sir, the nationalised banks in the rural areas are not functioning properly and nowadays they have evolved a method of simplified working procedure. What is this simplified working procedure? In a city area if the working hours of a branch is 11.00 to 3.00 P.M., in rural areas, the working hours may be only from 11.00 to 12.00 or 11.00 to 1.00 for four to five days in a week and in one working day it will be 11.00 to 3.00. That is called simplified method of working. It is adopted by some of the branches in rural areas. That means, if a farmer or a labourer comes from a distance of six to seven miles to a village branch at 1.30 P.M., he will be told that the branch is closed. The financial transaction can be done only tomorrow. That is the simplified working procedure. On the contrary, what we find is that the amount of salary we give to the employees in that particular branch the amount of rent given for accommodation of that particular branch is not all. If we calculate the yearly expenditure for the accommodation of that particular branch and the amount of loan disbursement in that area, we won't find a proper proportion. That means the branch is not functioning properly

16.00 hrs

If a farmer gets a loan of Rs. 20000 or Rs. 30000, the manager will insist upon him to make some deposit of Rs. 5000 or Rs. 10000 in that bank. That means, for the deposit of Rs. 10000, he will get 10 % interest and on the contrary he will have to pay 15 % interest on the amount that he has borrowed.

[Shri Vijay N. Patil]

So also, in the case of charitable institutions what we find is that if a loan of Rs. 5 lakhs is advanced to an institution for construction of a school building, the school management will have to pay a stamp duty of Rs. 15000 for taking that loan. That way they bind the borrowers. The bank people make such agreements with the borrowers that their properties are attached, even if the institution is repaying properly. Even if it is having a sound management, they have to pay unnecessarily the stamp duty and other overhead charges.

In the case of banking business, the agreements are such that they do not serve the borrowers' interest; they only serve the lenders' interest. The agreements for giving loans to the borrowers specially in the rural areas should be simplified and the procedures should also be simplified. Otherwise, what my friends have earlier mentioned that there is a term called *Dastoori* to be given for taking loan from the banks or for taking other subsidies, that system will go on and it will rather increase day by day.

Lastly, while supporting this amendment, I would like to mention that as you allow the urban cooperative banks to be registered in urban areas with a population of 15000 people where there are no other urban banks, likewise, I would request the Government to sanction rural cooperative banks also in smaller pockets, in rural areas where small rural people, labourers and agricultural workers come together and contribute their shares. Just like in the urban cooperative banks where the limit of Rs. 400,000 as the transaction to be done in one year, the advancement of loan to be made in one year in order to qualify for the credit cooperative society to be converted into an urban cooperative bank is there, in the same way you should sanction rural cooperative banks with less credit limitations to encourage the rural people to develop cooperative banking.

With these words, I support the Bill.

[Translation]

SHRI UMAKANT MISHRA (Mirzapur): Mr. Chairman, Sir, I rise to support the Regional Rural Banks (Amendment) Bill which has been introduced in the House. The farmers, workers and the people of the rural areas would remember Shrimati Indira Gandhi for many ages, who had opened doors of the banks for the farmers, the poor and the workers. As a result, the economy of the villages is changing at a very fast pace. Today, 3 to 5 branches of banks are functioning in each Development Block and banks are reaching villages. Our present Prime Minister is visiting villages and asking Harijans and Adivasis if they are getting loan or assistance from the banks as also what steps are required to be taken to streamline the procedure so that all the people could derive the benefit from the banks.

Our Prime Minister, Shri Rajiv Gandhi is also very keen to bring about rural development. Our Minister of State for Banking, Shri Poojary ji, is also taking keen interest in it. Loan Melas are being organised in his State and other States. He himself goes there and finds out as to what are the defects or shortcomings in the procedure and how these defects could be removed. I welcome this programme. With the opening of branches of banks in rural areas, the farmers are purchasing tractors, pump sets, buffaloes, cows and opening shops and as a result, the economic development of villages is taking place at a faster pace. The Ganga of development is flowing in the villages. People sitting here may indulge in criticism, but the fact is that whereas 90 per cent of the people had thatched huts, they have now tiled roof and the tribal and Harijan women who could not afford to purchase even a single pair of dhotis are now able to purchase four pairs of dhotis. Similarly, Harijans and Tribals who had kuchcha houses are now constructing houses having one or two pucca rooms. We do not claim that our country has turned into a paradise or all the poor have become rich or the poverty has been removed altogether, but the process of removing the poverty is in progress.

The Rural Banks are of course, functioning in the rural areas, but there are certain defects in their functioning. There is need to bring about improvement in them. I would, therefore, like to give some suggestions about it.

My first submission is that there is corruption in the matter of grant of loan under I.R.D.P. or under self-employment programme. There is pilferage. Full amount of loan is never released. Something is deducted from it. The loan is not given in time. The farmers, labourers, and traders never get in time and they have to shell out the so called share due to which they do not get the benefit which they should have got. Therefore, in order to check this, the RRBs must have a branch after every ten kilometers. This will expand the banking facility and the villagers will not have to go very far to get loan.

My second suggestion is that a "Jan Sewak" should be appointed to assist the bank manager and field officer. Normally, the bank manager looks after the work of the bank and the field officer processes the loan applications and sees as to which industry the applicant is bringing up, whether he has the capacity or not, etc., but still in order to check corruption and to assist the bank manager and the field officer, a Jan Sewak should be appointed. At the district level also, two non-official part-time directors are appointed in the rural banks and on the same analogy in every rural bank branch, a non-official Jan Sewak, who is educated and honest, be appointed for helping the manager and the field officer. He should sit once in a week in every branch and examine all the loan applications from the angle of purpose of the loan applied for; how much loan is asked; if the loan is given in time or not and whether the applicant had to give bribe in securing the loan, etc. He should also see whether the work for which loan was given has started or not, and whether the loan is being repaid. The aspect of repayment of loan should also be kept in view to ensure timely recovery.

My third submission is that the loan which is given through these banks, is utilised by the villagers for different purposes, but they do not deposit their savings in the rural banks. They deposit their savings in the urban banks. Why not deposit those savings in rural branches. In this case, the district workers and employees should help them. With their help, the functioning of rural bank can improve and whatever flaw has come in their working will get reduced. Any popular programme, whether in rural areas or in urban areas, can succeed only with the cooperation of public and for enlisting public cooperation, a committee of two or three local educated persons or of those interested in public service, can be formed who shall help in implementing the programme.

Sir, my last suggestion is that a Member of Parliament or his representative should be included in the district level board of directors, so that we are able to see how the rural banks function, and what deficiencies they have. We can also give our suggestions to them and if we are not there, one of our representatives can sit there.

With these words, I support the Bill and reiterate that with the opening of rural banks, rural development is taking place at faster pace and will continue to develop even more with greater speed. For the improvement in functioning of these banks, people's cooperation should be enlisted. This will ensure speedy implementation of your programme.

[English]

SHRI BHADRESWAR TANTI (Kaliabor)
Sir, no doubt our country has fulfilled the desire of the people for which the banks were nationalised. I must admit it. Banks have come very close to the people of the country for which they are meant and that is how it should be in a democratic country like ours.

Now, we are discussing the Regional Rural Bank (Amendment) Bill of 1987. You have brought certain amendments in the

[Shri Bhadreswar Tanti]

Regional Rural Banks Act, 1976 relating to the powers of directors concerned and raising the quantum of money from one crore to five crores. The objective of the Bill is very good. People will be benefited for which the Government is committed to do so. But you must see that the difficulties faced by the public are completely eliminated in season and out of season. At present, agricultural farmers have been harassed and exploited by certain bank employees and certain middlemen are also involved in it. The poor farmers have to go to the doors of the bank employees and middlemen. They are at the mercy of the middlemen and the bank employees. This should be completely avoided, otherwise we will not be able to fulfil the purpose that we have in view. Though there should be some requirements to be fulfilled by the farmers, in order to enable them to get the loan, there should be reasonable. Otherwise, it will not serve our purpose.

There must be an agency to look into the difficulties of poor people and to help them in the matter of getting loan so that the middlemen do not fleece them. There are certain banks and I have myself seen where even the Members of Parliament cannot go and meet the Managing Director or the Manager. They do not entertain. On one occasion, I was abused by the Manager of a State Bank of India Guwahati Branch. I told him that I was an M.P., but he did not listen to the grievances that I wanted to bring to his notice. If that is the fate of an M.P., and if that is how an MP is treated by the Manager, I doubt very much if an ordinary worker of the Bank would render any assistance to the poor farmer, poor worker. Therefore, a man who is committed to the service of the people, who is committed to help the poor farmer and poor worker, should be assigned such jobs.

I come from the North-eastern State which is very much backward industrially and the Government is not paying any heed to

the demands of the people for the development of that particular region. I do not know why.

There are not many organizations such as banks, where the poor people can go very easily and get loans etc. Even if there are some banks or organizations like that, there is nobody to help the poor people to make them aware of the facilities available as also how to avail of them. There must, therefore, be some agency who can help these people, the poor farmer, the poor worker and make him understand of the facilities available. For that purpose, there must be a liaison officer, who can render necessary help. I do not think any such arrangement exists at present.

Then, corruption has taken roots everywhere. Nobody can deny that. The Government must take all possible measures to eliminate corruption. At present, it is the middlemen who are getting the real benefits. Poor people do not get any benefits. If a farmer applies for a loan, he cannot get the same unless he is backed by someone even if he fulfils all the requirements under the rules. Why is it so? Why can he not get that loan easily if he fulfils all the requirements? He must be backed by a politician or officials or middlemen. Only then he gets the loan, not otherwise. That is what is happening. We must see that the man who fulfils all the requirements gets the loan very easily. Only then the real purpose will be served.

There is a dictum that bad money turns out good money out of circulation. That is what is happening. My suggestion is that there must be some agency to help the poor farmers in the regional banks etc. so that they can get the loan very easily if they fulfil the requirements.

Though I have many more points to make, yet due to paucity of time I conclude here and I support the Bill.

[*Translation*]

*SHRI V. KRISHNA RAO (Chikballapur):
Mr Chairman, Sir, I wholeheartedly welcome the Regional Rural Banks (Amendment) Bill, 1987

It is our late lamented leader Smt. Indira Gandhi who took bold and progressive steps to root out poverty from our country. One of the major steps was to nationalise the banks. The main aim of this nationalisation was to reduce the glaring disparity between the rich and the poor. Immediately after nationalisation, branches of various banks were set up in every nook and corner of the country to help the poor masses living in the rural areas.

Our present Prime Minister Shri Rajiv Gandhi is also moving in the same direction for the amelioration of the poor farmers. The programmes of the loan melas of the Government of India are widely acclaimed by the people of this country. Our hon. Minister of State for Finance Shri Janardhana Poojary has inspired and accelerated these programmes of loan melas. It is only through banks and such programmes that the poor people can be brought above the poverty line.

The services rendered by Regional Rural Banks to help the poor farmers are not at all to the expected level. We, the people of this country and the Government of India expect these banks to function more efficiently so that more and more rural people can get help from these banks.

The capital of these banks is not at all sufficient to help large number of persons. The requirement is very high but the availability of fund is very low. Setting up of one bank for 17,500 persons is not sufficient. More and more branches of banks have to be set up if we want more people to get the benefit of loans and other assistance. In each group panchayat there should be at least one

branch of the bank. If the panchayat is bigger in size then there can be two or three branches of the bank. Then only the rural farmers and other poor artisans can progress.

One of the main objectives of this amendment bill is to increase the capital amount from one crore to five crores of rupees. I welcome this step and congratulate the hon. Minister Shri Poojary. I shall go one step further and request him to increase this capital amount further in the near future.

The increase in the capital amount is very essential because the present amount is not sufficient for the various programmes like IRDP, RLEGP, NREP, ANTYODAYA etc. NABARD is also helping rural farmers. But its help is like giving a cup of butter milk to an elephant. The money is not even 1/10 of the requirement of the people. The farmers have some problems about the agricultural loans. They can get only between five and ten thousand rupees and the same is often granted after the need is over. The loan would be of no use after the season. Hence I request the hon. Minister to liberalise the conditions of banks to help the farmers to avail agricultural loans. For this purpose I request him to bring another amendment bill to the Regional Rural Banks Act, 1976.

Another important fact that I want to stress upon is the adoption of villages by the banks. Unless this is done, there will be no progress of farmers. The major chunk of the amount would remain in the urban areas and it will not reach the remote areas. Hence I request the hon. Minister to take suitable steps to see that each bank in rural areas adopts at least two or three villages.

There are some criticisms about corruption in the banking service. Our hon. Minister is a sincere and hardworking person. His goal is the amelioration of the poor of this country. If all the persons concerned work sincerely like our hon. Minister I am sure that poverty can be rooted out from this country.

* The speech was originally delivered in Kannada.

[Shri V. Krishna Rao]

Various loan melas are held by the Government of India in the nook and corners of this country. Loan melas are also held to help the widows and other helpless women. Unfortunately there are some hurdles for such programmes. For example in Karnataka the hon. Chief Minister Shri Rama Krishna Hegde is not at all extending his cooperation for the success of these programmes on the other hand he is posing problems for such progressive steps taken by the Government of India. Instead of assisting the organisers the police force in Karnataka Government disperse the people who intend to attend such programmes. I therefore urge upon the hon. Minister to take suitable steps in this regard for the smooth functioning of loan melas programmes which are meant to bring poor masses of this country above the poverty line.

I also hope that the hon. Minister's sincere efforts and hard work would enable the poor people of the country to usher in a new era of progress and prosperity. Sir, I thank you for giving me this opportunity and with these words I conclude my speech.

[English]

SHRI CHINTAMANI JENA (Balasore): Hon. Chairman, I am very grateful to you for giving me an opportunity to say a few words on this very small but a very useful Bill for the rural poor. While supporting the amending Bill, I would like to point out two or three things for the kind consideration of the hon. Minister.

The problems of Regional Rural Banks may be grouped into four categories, (a) Regional disparities in the growth of RRBs, (b) their viability, (c) overdue problem, and (d) problems of employees serving in RRBs.

In 1975, the idea of setting up RRBs was strongly recommended by the Narasimhan Committee for providing better banking service to the weakest of the weak in the rural

areas. In this connection, I must convey my hearty gratitude to the then hon. Prime Minister Smt. Indira Gandhi, who is now in the Heaven. It is because of her initiative this idea of setting up a Regional Rural Bank could come into existence. Even the nationalised commercial banks were there, but they continued to have the urban bias.

Similarly, in the case of cooperative banks also they could not provide any change in the socio-economy which the then Prime Minister Mrs. Indira Gandhi was thinking of. So, the intention of setting up the RRBs was that these banks would be sympathetic towards the weaker sections in the rural areas. The Kamath Study Group of 1976 and also Shri Dantwalla Committee of 1977 had appreciated the role of the RRBs in the rural economy. Its progress in the expansion, the mobilisation of deposits, credit deployment and recovery of advances is really very commendable and noteworthy. The RRBs have about 13000 branches all over the country. These branches have come up in a span of 10 to 12 years of its existence. In the area of deposit mobilisation, the RRBs have done a commendable work, even though the rural capital was not bright like the urban capital. Upto December 1985 I have got the figures. The deposit was Rs. 1286 crores. It is really very praiseworthy. Of course, the credit deployment by the RRBs is more than that of their deposit mobilisation. Here we should also think more carefully that these deposits are coming from the rural poor, from the agriculturists, the lower middle class people, who are living in the rural areas. In this connection I would only like to point out two or three figures, here. The advances of 188 rural banks were of the order of Rs. 1408 crores, as against the deposit of Rs. 1286 crores. Here I would say that the question of deployment of credit should not be considered as also the amount of deposit which have come to the RRBs. If we take it as a condition that the deposits should be considered while financing for the deployment of advance, then the whole purpose of setting up these RRBs cannot be served. A very commendable work has been done by the RRBs on the recovery side. While cooperatives and

the nationalised banks are finding it difficult even to cover 50 % of their advances in the priority sector, RRBs could recover about 75% of their deployment on advances. Upto December, 1983, there were outstandings to the extent of Rs. 18 odd lakhs, against 14,01,665 accounts - which is about 25% of the total outstanding advances. If we take the deposit-advance ratio as 100:180, in 1987-88 it is higher compared to any financial institution. Besides, a recovery of about 75% of advances also gives a very impressive functioning of the RRBs, especially when RRBs are lending to agriculturists. Agriculturists and the rural poor mainly depend on agriculture which is exposed to natural calamities, and several types of odds.

The area of concern is the losses incurred by RRBs year after year. This is really to be thought of, and there should be some remedial measures taken, for which I am suggesting a few points for the consideration of the Ministry. The figures available from NABARD upto December 1986 indicate that out of 191 RRBs, 141 RRBs have incurred losses of Rs. 89.6 crores. Some of the important factors responsible for such losses are: extensive branch expansion, low business in branches and similarly, increase in establishment costs and misappropriation of funds.

In this connection, I can cite two examples. In my area, two branch managers of RRBs, that is, Grameen Banks, by manipulating records had drawn some thousands of rupees. When it was detected, both of them fled. It was noticed that they had no property and nothing of that sort to realise the mis-appropriated amount. They have expropriated the entire amount. These are the factors mainly responsible for such losses incurred by these RRBs.

Of course, I must congratulate the Government and the Finance Ministry, specially the Minister of State for Finance, Mr. Poojari that the recommendations of the Working Group set up for RRBs to monitor and also to suggest areas in which we can make some improvements, have been ac-

cepted, and they are going to implement all of them.

Coming to the amendment, I must congratulate Shri Poojari that they have decided, or are going to decide, that two non-official representatives would be nominated by the Central Government as Directors. In this connection, I would like to submit that those two non-official representatives must be from the rural areas. They must also have commitment, and should be dedicated towards rural masses, rural economy and agriculture. Besides, I would request that one of the representatives should be from the farmers' side, because RRBs are meant for rural areas which are mainly dependent on agriculture.

Furthermore, I would like to submit that there should not be overlapping of jurisdiction. While suggesting this proposal before the hon. Minister for his consideration, I would only request him that RRBs should be empowered to finance whatever amount is required for its jurisdiction either for setting up of small scale industries or for agriculture purpose or anything of that sort, so that other nationalised banks should not enter into that jurisdiction

Lastly, regarding the problems of the employees who are very poorly paid in RRBs, I am not going to compare them with the employees serving in other nationalised banks. But they should be given salary and other benefits as are given to the Central Government Employees because it is purely a contradiction of the norm of "equal pay for equal work". One of the factors for corruption is the low payment of salary and other benefits to the bank employees. This should be taken into consideration. This disparity is inviting such type of corruption etc. which should be removed. In connection with the setting up of RRBs, if you look to the area of north eastern region, you will find that in comparison to other areas of the country, the north eastern region is lagging behind in the question of setting up of more RRBs. In States like Orissa, Madhya Pradesh and Bihar where the percentage of people who

[Shri Chintamani Jena]

are below the poverty line is high, more rural banks should be set up.

With these words, I thank you very much for giving me this opportunity to speak and I wholeheartedly support this Bill.

[Translation]

SHRI RAM NARAIN SINGH (Bhiwani): Mr. Chairman, Sir, India is a land of farmers and it is good that rural banks have been opened. When these banks were opened, people had many hopes that villagers would be freed from the clutches of money-lenders and they would enjoy greater benefits. All those hon. Members who are closely connected with rural areas may be aware and many members have told us of the large-scale corruption existing in these banks. That is why the illiterate villagers do not get bank loan until they give bribes. Some hon. Members have said that twenty-five percent of the loan is given as bribe and some have said that certain amount as a commission has to be given. In order to get Rs. 4,000 payment of Rs. 1000 has to be made. So the farmers do not get the benefit which they should have got. Regarding subsidies, the bank manager tells them that it does not concern them because the subsidy belongs to the Government. All those who have come from villages know that illiterate villagers get no benefit from banks. Bribes cannot be taken from those villagers who are educated, are employed, or are affiliated to any political party. The remaining 90% people do not get credit without giving bribes. The greatest disease is this corruption. I know this personally and if the hon. Minister wants, I can give examples. It is a good thing that these banks have been opened. It is also good that an amendment has been made. But it is extremely necessary that corruption is removed. As far as the Board of Directors is concerned, you said that there would be two representatives in that Bank. But these two directors should be from among the farmers or from among the Harijans. In Punjab and Haryana, even Harijans have acquired land

and have become farmers. Leaving apart the cases pending with the Punjab and Haryana High Courts, harijans have been distributed land out of the surplus area that became available on enforcing land reforms. This land reform law was passed during the time of Sardar Pratap Singh Kairon and was implemented in Punjab. Therefore, there should be two representatives of farmers' in the Board so that they may take up the grievances of farmers with the M.D., Director. The bank employees are public servants. Today, they do not deserve any sympathy. There is no need to sympathise with the bank employees of Haryana. If you make inquiries into the assets of the clerical and managerial personnel of banks, you will find that they have amassed a lot of wealth. Many hon. Members have said that corruption should be stopped. But nobody has suggested what action must be taken. I would suggest that Anti-Corruption Board or Vigilance Board should be set up in the banks which should deal with complaints of corruption, go to villages to make an on-the-spot study of the complaint. It is said that nobody is willing to work in villages. That is not true. If you give attractive salaries, you can get many well-educated people. There is no dearth of workers willing to serve in rural areas. If you bring a particular case of corruption to the notice of a senior official, he will depute his subordinate to look into it. People have given many affidavits, that so many people have embezzled public money. There are also cases where a person applied for loan of Rs. 10,000 and was not paid a single paise. Instead, the bank officials swallowed the entire amounts and later he got notice from the bank asking him to repay the loan. Then he came to know that bank officials had drawn the entire amount against his application. So, large scale corruption is prevalent in banks. Therefore, only those people, who are honest, capable and have a rural background should be appointed as directors. Today the position is that wherever you go, you find corruption. It is very necessary to root it out. The Government gets a bad name because of this. These banks were opened for the benefit of poor people and farmers. But Government

employees are taking bribe and government is getting a bad name.

Just now an hon. Member said that a law should be passed to prevent remission of loans. Loans used to be remitted during British time also. For millionaires and billionaires amounts to the extent of Rs. 300 crores to Rs. 400 crores are written off treating them as bad debts. But in respect of a poor farmer objection is being raised for remitting a loan of Rs. 2000 or Rs. 3000. In the United Punjab, there was a government whose C.M. was Sir Khizer Hyat Khan Tiwana Sahib. During his time Sir Chhotu Ram was the representative of the farmers. He had brought a bill to remit loans of farmers and to extend several concessions to them in the grant of loan. During British rule, Sir Chhotu Ram had got farmers' loan written off and today Ch. Devi Lal has remitted loans of small farmers and workers to the tune of Rs. 227 crores which benefited lakhs of people. One of the hon. Members here said that malpractices were adopted in recent elections in Haryana to get votes. But after five months, elections were held in Haryana for three seats, the results are before you. We won with convincing majority. Loans below Rs. 10,000 in respect of small farmers, workers and shop-keepers have been remitted there. If the Government at the Centre enacts a law that loans of small farmers, workers and petty shop-keepers will not be written off, it will have very adverse consequences. The question of enacting such a law does not at all arise. Instead, a provision should be made that loans of those who are not in a position to make repayment shall be remitted. Ch. Devi Lal has fulfilled 90% of the promises made in the election manifesto. If you follow his foot-prints, it will bear very good results. Since one of the hon. Members raised this issue here, I was constrained to say this. I want that in order to eliminate corruption in banks, an Anti-Corruption Board should be set-up early and action should be taken to root out corruption so that the people may praise you also.

SHRI VIRDHI CHANDER JAIN (Barmer)

Mr. Chairman, Sir, I rise to support the

Regional Rural Banks (Amendment) Bill, 1987 which has been introduced in the House. The date of 19th July, 1969 will be written in golden letters in the history of India because on this date our late Prime Minister, Shrimati Indira Gandhi nationalised the banks without caring for many odds. Thereafter, the Congress Party was divided and she bore this also. She took the courageous step of nationalising the banks and provided the opportunity of availing facilities of bank loan to the people living in urban and rural areas of the country. Prior to that, bank loans were made available only to capitalists and industrialists. Under the provisions of the present Bill to be passed by us, bank loans will be made available to rural areas also. It was very necessary because people in rural areas were not getting loan easily. Secondly, there are certain areas in the country which have been affected by successive droughts for many years and the people of the area are not in a position to repay the loan. For example, there has been a famine-like condition in our area for the last four successive years. The farmers have taken loans from Cooperative Banks, Rural Banks and Regional Banks, but due to severe drought, they are not in a position to make repayment of the loan amounts. On the other hand, amount of interest goes on increasing while the crop get destroyed due to drought. The interest is not suspended even during drought conditions. So, there is need to ponder seriously as to what steps should really be taken to ensure welfare of the farmers in these circumstances. I have come across some cases in which the amount including interest has increased 3 to 4 times of the principal amount and the loanees are being pressurised to make repayment of the loan. Previously we had a law in Rajasthan for the money lenders which is called Principle of Dambupat* which provided that not more than two times of the amount of loan taken by the farmer shall be recovered from him. The bank laws, whether it is a co-operative bank or a commercial bank provide for the recovery of the amount to the extent of four times of the original loan.* Such a provision must be withdrawn. It should be provided that the amount to be

[Shri Virdhi Chander Jain]

repaid should not be more than two times of the original loan amount under any circumstances. If this provision has been made for money lenders, it should also be made applicable to banks

According to this Bill, the sponsor banks will be made chairman of the Regional Banks. I do not accept this view. The Central Government has the right to make the sponsor bank the chairman, but it will not look to the interest of rural areas, because all the sponsor banks are commercial banks. They will keep the urban interest in view and ignore the interest of rural people. I would like that the NABARD should be entrusted, with this job in place of the sponsor bank. The commercial banks are urban oriented.

It has been decided that the managers and employees working in rural banks should be paid less pay than the persons working in commercial banks in the cities, although they work in difficult areas, viz, the desert areas, etc. How is it possible for them to work there with less pay. Under no circumstances should they be paid less pay. It is not the right attitude that the people working in difficult areas should get less pay and the people working in the cities more. 80 per cent of country's population lives in rural areas and the Government wants them to progress. Therefore, the managers working in rural areas should not be paid less, rather they should be paid more so that they do not indulge in corruption. If somebody gets less pay it is natural that he will indulge in corruption. If he is given full payment he will not think of corruption at all.

If at all we want to strengthen the rural economy, we must strengthen rural banks. Even now a situation prevails in the country where people take loan from money lenders and repay to banks, because the banks put pressure on them to make repayment of the loan they have taken. It should be our effort to strengthen the rural economy and to ensure that the banks play an important role in it. With this I conclude.

17.00 hrs.

[English]

SHRI G.M. BANATWALLA (Ponnani): Mr. Chairman, Sir, I support the Bill. The provisions of the Bill reflect the concern that the Government has for improvement of the Regional Rural Banks and for the development of rural and backward areas. Indeed, banks play a very vital role in the development of rural and backward areas. With greater realisation of this particular fact, we have so many milestones in the history of banking in our country, for example, the conversion of the Imperial Bank into the State Bank of India in 1955, the social control over banks, and lastly, the nationalisation of certain major banks in our country. Specially after the nationalisation, there has been a phenomenal expansion in banks and bank branches. For all this, the Government deserves every congratulation. There is no doubt about it

Sir, I rise briefly to point out a few important aspects that must be taken into consideration. In the first place, there is a great need for further relaxation in the various norms that we have in the matter of opening of branches. According to the 1981 Census, we have a population of 68.4 crores. Out of the total 1981 population, 76.3 per cent or 52.2 crores live in 5.76 lakh villages. Out of 5.76 lakh villages, around 78.5 per cent villages have a population of less than 1,000 each, and it is these tiny villages which are economically extremely weak. The present norm adopted during 1982 - 85 is that Rural Banks could expand branches on the basis of a population of 17,000. I know, for the hilly areas there are certain relaxations. But a further expansion to serve the rural areas, to serve these tiny villages, irresistibly demands a further relaxation and a substantial relaxation in the matter of opening of the branches. I hope, the Government will give this point due consideration.

In the opening of branches also, I must point out the regional and glaring regional disparities even in the rural areas. We have,

for example, a total number of 5,059 Blocks in the country, and the deficit Blocks, that is, Blocks deficit in the matter of bank branches as per the norms I have just spoken, are 1,936. The number of additional bank offices required are 4,033.

Now, look at the present pace in the development and the expansion of branches. I do not know how many more decades will be required in order to cover these deficits. I must, therefore, say that more concerted effort is needed to see that at least these deficits are wiped out.

In my own State, in Kerala, out of total 151 Blocks, we have fifteen deficit Blocks to be cared and, therefore, I stress the need and a greater need for concerted efforts.

We need not be told that there are no infrastructure available and the Branch can come only if those infrastructure are brought. No doubt, that is a fact—branches can come up provided there is proper infrastructure over there. But then the Government must come in a big way to see that proper adequate infrastructure is provided in these deficit areas so that the branches are opened.

I must also point out two disparities in the matter of flow of rural credit and, here specially we see that as far as the South is concerned, there is a declining, persistently declining trend in the flow of credit to the South. In 1971, the share of Southern Region in total Rural Credit was 51%, but by 1980 as a result of constant falling of this percentage it had fallen to hardly 35%. In a matter of only eighty years, therefore, there was a fall in the flow of rural credit to the Southern areas from 51% to 35% and there is a further declining trend that continues. I must, therefore, emphasise upon the Government that a proper attention should be paid to this declining trend also. I must here submit that originally the regional banks were allotted to most backward districts, i.e. districts where commercial banks and their branches had not spread. There, the co-operative structure was also very weak. But now we find

that the trend is for opening of new Regional Rural Banks in more developed States and developed parts. This is, therefore, an unhealthy trend which must be reversed. You are in a hurry to pass the Bill and, of course, the rural area is also in a hurry to have greater and greater facilities. I may, therefore, only briefly touch upon one or two points and conclude.

I must emphasise upon proper manpower with required skill and expertise for the rural areas. This urban oriented people will not do over there and there is a great deficit here.

There was a Report of the Sivaraman Committee to review arrangements for institutional credit for agriculture and rural development and it says—

"We are convinced that systematic and concerted efforts have to be made over a long period by all concerned to foster attitudinal changes and to develop the right kind of rural bankers. These efforts have to be in various fields such as recruitment, training, rewards, penalties, etc."

Therefore, I must emphasise upon proper training to have rural bankers with the right type of mind. Here, I must express my dissatisfaction specially with respect to Clause 3(b) where it is left to the sponsoring bank to provide the trained skill, to provide the trained personnel. The sponsoring bank is to look after the training of the people. But we know in banks we have a particular type of attitude of low risk and high security. But this won't do in our rural areas, in our backward areas. There has to be proper attitude of taking greater risk and asking for lower security. Therefore, I must emphasise that there should be a proper attitude, proper training of the personnel. Sir, recruitment is done through Banking Services Board and I am afraid it takes nearly 1 1/2 years to recruit the personnel through the Banking Services Board. Why? I do not know. But then something has to be done here to see that proper personnel from the local areas, from these

[Shri G.M. Banatwala]

rural areas are provided to the banks without any delay. So, necessary steps should be taken in this regard.

Finally, Sir, the present incentives for working in rural areas are also not adequate. I do not want to develop this point because of paucity of time. But I will urge upon the Government to see that due incentives are provided. These are certain observations. But indeed Government is alive to the needs of the rural areas, backward areas. That is why this Bill has been brought forward for which I congratulate the Government, and Government should take necessary steps on the observations that have been made by me. Thank you.

MR. CHAIRMAN: I would like to inform the hon. Members that this debate will conclude at 5.30 P.M. I would therefore request the Members to be brief in their submission. The hon. Minister will reply to the debate tomorrow.

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SHRI SRIBALLAV PANIGRAHI (Deogarh): Mr. Chairman, I rise to support the Regional Rural Bank (Amendment) Bill. Sir, the Regional Rural Banks, by and large, have done a commendable job in our country, in catering to the banking needs of the rural people. Sir, long after the nationalisation of the Banks, it was felt that the commercial banks were not interested, were not in a mood to move to the rural areas; the interior areas and therefore, the idea or concept of having Regional Rural Banks was entertained and it was rightly done. It is a customary in our country, in our system that although India is predominantly a rural country, a country of villages, the administrative set up, the administrative system is unfortunately urban-oriented and unless compelled, no administrator, no people in authority, will move to the villages to attend to the problems and grievances of the rural people. So, in that background, it was a very happy and welcome development over the years in every field, in the field of expansion of its welfare etc., deposit mobilisation and

also credit facilities, the system, the RRBs have really achieved good results and their performance is commendable. I am not going into the details and the statistics as to how they have expanded but just only in one sentence I would like to say that in 1980 there were 87 RRBs covering 141 districts and by the end of the Sixth Five Year Plan, there were 193 RRBs covering 341 districts

Again, Sir, the targets fixed, i.e., 170 RRBs covering 270 districts were exceeded. The targets were exceeded in terms of expansion of RRBs and deposit mobilisation. In respect of deposit mobilisation, it was only Rs.40 lakhs in 1976, but it rose to Rs.30.7 crores in 1977 and now it is Rs.1,286 crores in 1985.

As regards credit, the credit given has always exceeded the deposit amount. Naturally, the Minister has come before the House with amendments. They have felt the necessity from their own experience of the administration of the banks and the functioning of the banks.

There are mainly four points with regard to this Amendment. One is, they have the issued capital which was increased from Rs.25 lakhs to Rs. one crore. About the authorised capital, it has increased from Rs. one crore to Rs. five crores. There can be no objection. Of course, the Bill has the wholehearted support from all sections of the House.

About the Board of Directors, the Central Government will be nominating two Directors. Hitherto they were nominated by the Bank, but now the Central Government can nominate them. But I would say that about the Chairman, hitherto the Chairman is appointed by the Central Government, but now the sponsor bank will have the powers to appoint its Chairman. There are certain contradictions. As you know, yesterday there was *hulla-gulla* during the Zero Hour because there was a demonstration or dharna staged by the INTUC including some M.P.s protesting against the anti-labour and anti-people attitude of the Bank Management

and if the Chairman is not appointed by the Government, I feel that the banking policy of the Government may not be properly implemented. The right type of people should be placed in the right type of jobs. It is a very very important thing. It is often alleged on the floor of this House that the Government's policies are not being properly implemented by the bank officials. Of course, Mr. Poojary straightaway scolds bank officials and takes the erring officials to task openly. (*Interruptions*)

Sir, I beg of you to give me some more time.

It is very important to note that the Government policies are not being properly implemented, properly pursued by the bank officials and therefore, cautious approach is necessary for appointment of Chairman and other Directors.

With regard to non-officials I am telling you that I had my peculiar experience. A non-official Director of Bolangir Anchalika Gramya Bank in Orissa has written to me a letter that since he is exposing the misdeeds of the Management, he is being threatened to be thrown out of the Board of Directors. Look at the state of affairs. Further, as regards the appointment of staff, we are entrusting the work to the Bank Service Commission. It is a contradiction because that would mean recruitment of people to different banks with different grades of salaries. The same Board will recruit staff for different banks at different salaries. But the rural bias, rural attitude, rural approach will not be there with the staff. Therefore, we cannot say that the RRB staff have developed the requisite rural approach or rural attitude. Therefore, I would say that there should be proper training for the staff. These rural banks should be given an increasing role in the 20-point programme, anti-poverty programmes and other such programmes with a provision to give loans to the rural poor with a low rate of interest.

MR. CHAIRMAN: Hon. Member's time is up.

SHRI SRIBALLAV PANIGRAHI: Bolangir Anchalika Gramin Bank which is now covering three districts is quite unwieldy and therefore, it should be bifurcated. There should be a separate Gramin Bank for Sambalpur district and Sundargarh district.

With these words, I conclude my speech.

MR. CHAIRMAN: Shri Piyus Tiraky.

[*Translation*]

SHRI RAJ KUMAR RAI (Ghosi): Mr. Chairman, Sir, I would request you to give a chance to me also to speak.

[*English*]

MR. CHAIRMAN: There is no time. It is too late now.

SHRI RAJ KUMAR RAI: I have already requested you

17.21 hrs.

SHRI PIYUS TIRAKY (Alipurduars): Mr. Chairman, there is no mention in the statement of Objects and Reasons of the Bill that no security would be taken from the loanee. Everywhere, if a person is with little land property or something like that, on the basis of that security, you give loan. Nobody wants to grant loan to the poor man, if he has nothing to offer as security. How will you give this money to the poor as loan, when you insist on security and he has no such thing. Majority of the people in the rural areas are poor people and the exploited people. Many exploiters are there to exploit him. How will you proceed to give him some relief with your loan? Nothing has been said in the Bill.

I will first give some suggestions. The Government of India is also taking loans from outside. A number of countries have given loans with a very small rate of interest on long-term basis to help the development of India. You are taking loans from the World

[Shri Piyus Tiraky]

Bank and other international financial organisations. They have given you loan without interest for 10 or 20 years and afterwards you are giving only 2% or 1% interest. Why don't you apply this system to the rural poor people also? Why don't you tell them that for 10 years or 5 years, there will be no interest. Then, when the farmers will get the resources, then you can have a marginal interest so that the Government money is also not lost. The money will be refunded or repaid or the recovery will be made, when the loanee has got some resources to refund it. Your Bill should mention it clearly. Then the rural people would thank you and the Government also very much.

Nobody understands your Loan Mela and all these things and all these clauses and sections. I have experienced it. People ask for loan. Some bank is giving loan for poultry purpose. Farmers are in need of money. But he has no idea of poultry. But only those who are interested in poultry will get the money. So, the bank people will say, you just write down, "Poultry", whether you are interested or not. So, he obliges them and 50% money has gone there. To buy a goat also, there is an agent. He will say, I will arrange it. Since the farmer is getting it for nothing, he says, "Yes". The loan is granted with the involvement of middleman and the goat has come from the market. The farmer is happy because, he has got it, though he has paid nothing. He is quite happy that "Babu" has done a great service for him out of love. But when he has to pay the amount, when the recovery of principal and interest started, when bank people come to him, he would say, "What happened, I have not taken so much money" I want only Rs. 100/-. But the Babu says that Rs. 5,000/- is available. This amendment of the Rural Bank will exploit the rural people who have legal money. They finish the rural people there. They have nothing to give. So, the rural people would also feel uneasy to live in the rural areas. The bank will give more money and they will get fat. This amendment will not serve the rural people.

17.25 hrs

[MR. DEPUTY SPEAKER *in the Chair*]

My suggestion is that you should give them loan. But you should make the man understand that the loan is not bakshish and that he has to repay the loan within a specified period and that if he cannot repay the loan, he will have to pay interest on it and the entire amount will have to be repaid within a specified period and if he cannot repay the loan within the specified period, his landed property or whatever property he has will be confiscated by the bank. You must make him understand this first, before giving the loan. If you say that it is bakshis, that loan will go away. That is Government money. You do not bother if the farmer eats away the money.

My suggestion is that the farmers must have a scheme under which those who want piggery or poultry or some artisanship in any block can get training. They can get training on what is husbandry, how to rear the cattle and how artisans work in cottage industry. People in every block must be given that kind of training. You must give loan only after giving them the training and then only you can get back your loan and thus the purpose of the rural bank will be served.

Otherwise, what the rural people do is that they go out when election is coming. They want to get some money. The Central Government Officers come and they distribute money. The rural people think that the money is being freely distributed to them. This is what you have done in Tripura. This is very bad because it is Government money. It is not your personal money. Government money must be recovered with interest.

SHRI BIPIN PAL DAS (Tezpur): Same thing has happened in Bengal.

MR. DEPUTY SPEAKER: Please wind up.

SHRI PIYUS TIRAKY: If you really love the poor and if you want to develop the rural areas, then you should give long-term loans.

For 5 to 10 years, there should be no interest. Afterwards, 1 % or 2 % interest should be there. If the person has no resources to pay the interest and if he can pay back only the loan, you should not take interest. I hope that you will heed my suggestion.

MR. DEPUTY SPEAKER: The hon. Minister will reply tomorrow.

17.30 hrs.

PAPERS LAID ON THE TABLE - Contd.

[English]

Notification under Central Excise Rules

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHANA POOJARY): I beg to lay on the Table a copy of Notification No. 254/87-Central Excises (Hindi and English versions) published in the Gazette of India dated the 25th November, 1987 issued under the Central Excise Rules, 1944 together with an explanatory memorandum seeking to prescribe effective rates of additional excise duty in lieu of Sales Tax on man-made fabrics falling under Chapters 54 and 55 of the Central Excise Tariff on the basis of the width of the fabrics in supersession of Notification No. 60/87-Central Excises, dated the 1st March, 1987. [Placed in Library. See No. L.T.-5105/87].

SHRI G.M. BANATWALLA (Ponnani): Sir, this whole thing must be expunged from the record because this Paper has to be laid on the Table of the House immediately before the House adjourns. How did you allow this?

(Interruptions)

MR. DEPUTY-SPEAKER: No, no. He has already made a request.

SHRI G.M. BANATWALLA: The point is, now we have got Half-an-Hour discussion

MR. DEPUTY-SPEAKER: Mr. Banatwalla, he has already made the request and you also accepted it.

(Interruptions)

MR. DEPUTY-SPEAKER: He has already made the request regarding that.

SHRI G.M. BANATWALLA: On a promise that he will give a good reply tomorrow ... (Interruptions) This may not be expunged from the records.

MR. DEPUTY-SPEAKER: You should not ask for expunction of even his reply at that time.

(Interruptions)

17.31 hrs.

HALF-AN-HOUR DISCUSSION

Training of Senior Officers Abroad

[English]

MR DEPUTY-SPEAKER: The House will now take up half-an-hour discussion. Dr. G.S. Rajhans to speak. I am allowing you 10 minutes. Please be brief.

[Translation]

DR. G.S. RAJHANS (Jhanjharpur): Mr. Deputy Speaker, Sir, the subject which we are discussing has attracted the attention of whole country. It is being discussed in all the leading newspapers of the country for the last 3 to 4 months that the I.A.S. and the I.P.S. Officers are being sent to the U.S.A. and England for training. When this matter was being discussed in the House on 11th November, you might have seen that almost all the hon. Members were on their legs and they were so agitated that the hon. Speaker had to allow a separate debate on the subject. In this connection, I would like to make a specific point. In his reply the hon. Minister