

13:28 hrs.

**BANKING LAWS (MISCELLANEOUS PROVISIONS) BILL****The Minister of Planning (Shri B. R. Bhagat):** Sir, I beg to move:

"That the Bill further to amend the Reserve Bank of India Act, 1934, the Banking Companies Act, 1949 and the State Bank of India (Subsidiary Banks) Act, 1959, be taken into consideration."

In September, 1963, the House considered a non-official motion suggesting that banks in the private sector should be nationalised. Although this suggestion was not accepted and the motion was in fact defeated by 119 votes to 27, it was indicated on behalf of Government that the various points which were made in the course of the debate would be taken into consideration and that a Bill further to amend the enactments relating to banks would be brought before the House. We are glad that it has been possible for us to fulfill this commitment.

13:30 hrs.

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

I would like to say at the outset that the object of this measure is to help the Reserve Bank, the commercial banks and other financial institutions to discharge their responsibilities more effectively during the current phase of economic development, and in this sense, the Bill is a positive and not a negative measure.

The objectives of the Bill can be divided into three broad categories. Firstly, the deposits which are now received and handled outside the banking system, should be controlled, not only in the interests of the depositors themselves, but also in the general and wider public interest. We also intend that the activities of loan, investment and hire-purchase companies or firms, or other finan-

cial institutions, which grant loans and advances for a variety of purposes, or purchase securities or shares, and thereby influence or affect the money and capital markets, should be controlled by the central bank of the country, so far as these activities are concerned. As regards the commercial banks themselves, we propose that in view of their present and prospective position and importance, the existing system of control should be extended, so that these banks may be encouraged, and, if necessary, even compelled, to use the resources which are available to them for financing essential projects and enterprises and promoting development.

Sir, it has been generally accepted for some time that there is in our economy a considerable amount of money which is not properly accounted for. The Finance Minister also referred to this problem in his statement on the economic situation earlier this week. In advanced or rapidly developing countries the increase in bank deposits from year to year is both sustained and considerable. The volume of such deposits is very much greater than the value of notes or coins in circulation. In our country also there has been an increase in the number of bank accounts (it has, I believe, been of the order of 12 per cent per annum in the last five years). Except in the period of a few months following the failure of the Palai Central Bank in 1960, there has also been an increase in bank deposits from year to year. But in relation to the rate of growth of our economy, or the demands for various purposes on the commercial banking system, this increase is by no means adequate.

It is difficult to be certain, Sir, that the money, which remains outside the organised banking sector, is used only for essential purposes and not for speculation or other anti-social ends. Even when this money is ob-

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tained for more or less legitimate purposes, the consequences may not always be desirable. It is not appropriate, for example, that we should allow institutions, which are not themselves banks and which are not, therefore, bound by the inter-bank agreements regarding deposit and lending rates, to compete with one another and also with the banks for deposits, by pushing up interest rates, or in some odd cases by resorting even to unfair practices, which may be harmful to the interests of the depositors concerned.

In the United Kingdom, special legislation has been enacted recently for dealing with this situation. The Protection of Depositors Act, 1963 was brought into force in that country about two months ago, and is a far-reaching measure, which provides for stringent control of the business of acceptance of deposits by institutions other than banks and discount houses. The issue of advertisements soliciting deposits is prohibited under this Act, unless the subject-matter of the advertisement conforms to the regulations made by the Board of Trade; and elaborate requirements regarding the submission of returns to Government departments, the supply of audited balance sheets and accounts to the depositors and inspection, search or seizure are also provided for in the Act. The deposits become automatically repayable, if any business which is not referred to in the advertisement is undertaken without the depositors' knowledge or implied consent; and in extreme cases, the Board of Trade will even be able to wind up an institution in the depositors' interest.

Our own conditions are somewhat different. In bringing forward this measure we cannot overlook the fact that certain industrial establish-

ments, firms and shroffs have traditionally been accepting deposits directly from members of the general public for financing their business. It is not the intention that these transactions should be prohibited. But obviously, it is necessary for us to be certain that the conditions in which these resources are obtained and used will be reasonable and consistent with our monetary and credit policy.

Among non-banking institutions, financial corporations and loan and investment companies or firms are obviously in a special category. The terms on which advances are granted by them, their investment policies and their transactions in the securities market generally are of direct interest and concern to the Reserve Bank. But unfortunately, and very largely as a result of historical accidents, the Reserve Bank is not able to exercise any control over these transactions or operations.

This again is a problem which is peculiar to an under-developed economy. If the money and capital markets are well-knit, if commercial banks control more funds, and if they play an important role generally in financing various enterprises, the Central Bank will be in a position to control the monetary and credit system more or less effectively, through the commercial banks, the operations of which can themselves be regulated in various ways. Banking habits in India are, however, not yet widespread. There are several specialised credit institutions, which act more or less independently of commercial banks. The money markets are also not well-knit or adequately organised; and from the point of view of the effective implementation of monetary policy, the Reserve Bank's control of the commercial banking system, by itself, is not, therefore, very adequate. The Reserve Bank will have to be given specific power and authority to co-ordinate the activities of the various credit agencies.

We are providing in this Bill that, to the extent to which it may be necessary for discharging its responsibilities in the field of monetary and credit policy, the Reserve Bank will be able to obtain information from all corporations, companies or firms, statutory or otherwise, including institutions which are in the public sector and that suitable directions can also be given to these institutions for the purposes which I have indicated.

We are aware of the apprehension in certain quarters that these powers may not be properly used. I do not think that this criticism is fair to the Reserve Bank, or that there is any justification for thinking that in implementing the new provisions, the Reserve Bank will take into consideration only the point of view or the interests of the commercial banks, neglecting all other institutions. The Reserve Bank has proved, by its record, that it is not capable of taking such a narrow or partisan view. It is on the other hand the only institution in our country, which is equipped and qualified to discharge these responsibilities. I have no hesitation in assuring the House that no institution or enterprise, which meets an essential demand, will find itself unduly handicapped, merely because of any action which may be taken by the Reserve Bank.

I turn now to the commercial banks. It is obviously necessary that the commercial banks should be enabled to increase their resources and extend the scope of their functions and activities. But unless they are in a position to take an enlightened and objective view of their responsibilities, they will not be able to play any major or effective role in mobilising savings or assisting the growth of our economy.

The banks, Sir, should not only be free from the influence of the dominant business houses and groups, which now control them, but should also be known to be free. The sys-

tem of control which has been gradually built up during the last fifteen years or so is intended, by and large, for this purpose. The amendments which have been included in the present Bill have also been proposed with this object in view.

As the provisions are explained in great detail in the notes on clauses, I will refer only to the more important amendments. We are naturally anxious that the ownership of shares in private commercial banks should be sufficiently broad-based. While it is not practicable or necessary to think in terms of any limit in respect of the number of shares which may be held, or to prescribe any conditions, which may affect or restrict the transferability of these shares, there is no reason why the voting rights of individual shareholders, which are limited now to five per cent of the total voting rights of all the share holders of a bank, should not be reduced further. We propose to limit the individual shareholder's right in future to 1 per cent. We hope that this amendment will lead, in due course of time, to a redistribution of the existing shares. As a larger number of persons will be able to participate in the ownership and management of commercial banks in the private sector, the concentration of economic power in the hands of a few will automatically be reduced.

We propose to tighten up the existing provisions regarding the grant of unsecured advances to companies or firms in which the directors may be interested, and also to prohibit the remission, without the approval of the Reserve Bank, of loans in a manner, which may directly or indirectly benefit the directors. An enabling provision is also being included in the Bill permitting the Reserve Bank to restrict the advances to any company, firm or association to a reasonable figure, and enabling that bank to exercise a salutary check, if this becomes necessary, on the locking up of money in the form of advances to certain concerns, including those be-

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longing to particular business groups. We are also providing, as the House is aware, for the removal or replacement of directors, officers and other employees, by the Reserve Bank, and for the appointment of additional directors for temporary periods for strengthening the management of any banking company.

Banks are credit institutions handling funds, which do not belong to the shareholders; and they cannot, therefore, be dealt with in the same way as ordinary industrial or commercial concerns. In the light of what I have already said about the need for reducing or eliminating altogether the control which is now exercised over banks by certain business groups, the amendments which have been proposed cannot be considered to be unreasonable.

**Shri M. R. Masani (Rajkot):** Question.

**Shri B. R. Bhagat:** We have received some representations, since the Bill was introduced, suggesting that the provision regarding the removal of directors and other persons is arbitrary. This is not correct. Apart from the fact that the Reserve Bank itself is unlikely to take any precipitate or ill-considered action, the circumstances in which the directors, officers or employees can be removed are clearly specified in the proposed Section 36AA. As it is not our intention that there should be any arbitrary removal, we have however given notice of an amendment, which will clarify the position, and will enable any person, who may be aggrieved, to prefer an appeal to the Central Government within a reasonable period.

We are incidentally proposing a change in the proposed Section 36AB to make it clear that the number of additional directors will not exceed one-third of the total number of directors of a banking company,

where this limit happens to be lower than five. With these additional safeguards, there need not be any room for apprehension that the powers which we are now assuming will not be properly exercised.

I said at the beginning of this speech that this is a positive and not a negative measure. We are not providing for the grant of additional powers to the Reserve Bank or for the extension of the area of control, for any doctrinaire or ideological reasons. We have brought forward this Bill to enable the Reserve Bank to control monetary and credit policy more effectively, and to coordinate, for this purpose, the activities of various credit institutions. We are also hoping that the commercial banks system will be enabled, by this measure, to command the confidence of the public to an even greater extent in future, and that these banks will be enabled to make a much greater and much more significant contribution to the development of the country than has been possible so far.

With these words, I move this Bill for consideration.

**Mr. Deputy-Speaker:** The motion moved:

"That the Bill further to amend the Reserve Bank of India Act, 1934, the Banking Companies Act, 1949 and the State Bank of India (Subsidiary Banks) Act, 1959 be taken into consideration."

There are some amendments, Mr. P. R. Patel. He is not here. Mr. Masani. Does he want to move his amendment?

**Shri M. R. Masani:** Sir, I beg to move.

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 29th February, 1964."

(41)

**Mr. Deputy-Speaker:** Then there is an amendment of Shri Himatsingka.

**Shri Himatsingka** (Godda): Sir, I beg to move:

"That the Bill be referred to a Select Committee consisting of 15 members, namely, Shri Ramchandra Vithal Bade, Shri Kamalnayan Bajaj, Shri C. R. Basappa, Shri P. C. Borooah, Shri S. N. Chaturvedi, Shri Sachindra Chaudhuri, Shri Kashi Ram Gupta, Shri Hem Barua, H. H. Maharaja Shri Karni Singhji of Bikaner, Shri T. T. Krishnamachari, Shri Harish Chandra Mathur, Shri R. R. Morarka, Shri Shem Lal Saraf, Shri Prakash Vir Shastri and Shri Prabh Dayal Himatsingka, with instructions to report by the first day of the next session." (24).

**Mr. Deputy-Speaker:** The amendment of Mr. P. R. Patel is barred because this is the same as that of Mr. Himatsingka. He is not here also. So, his amendment is not moved. The Bill and the amendments are now before the House.

**Shri Sham Lal Saraf** (Jammu and Kashmir): What is the time allotted for this Bill?

**Mr. Deputy-Speaker:** Five hours is the time allotted for this Bill. So, we will have 3 hours for a general discussion and 2 hours for clause-by-clause consideration.

**An Hon. Member:** It should be 4 hours and 1 hour.

**Mr. Deputy-Speaker:** There are many amendments. That is why I am suggesting 3 hours for a general discussion and 2 hours for clause-by-clause consideration.

**Shri Hari Vishnu Kamath** (Hoshangabad): We may extend the time by half an hour.

**Mr. Deputy-Speaker:** The programme is very tight. There may not be any extension of time. But the general discussion may be extended by 15 or 20 minutes. So, it is 3 hours for a general discussion and 2 hours for clause-by-clause consideration. Shri Prabhat Kar.

**Shri Prabhat Kar** (Hooghly): Mr. Deputy-Speaker, Sir, I welcome this Bill which has been moved by the hon. Finance Minister, the Banking Laws (Miscellaneous Provisions) Bill to the extent it goes. It has been rather an alarming condition that was presented that roughly about Rs. 10,000 crores are still unaccounted for and the statement which was made by the hon. Finance Minister that he was anxious to find it out and in considering that aspect, this is a welcome measure that the provisions relating to the non-banking institutions also will be under the control of the Reserve Bank of India.

So far as we are concerned, we have been pointing out that the more and more the power is given to the Reserve Bank of India for the controlling of the financial system of this country, it is better and it will help in mobilising resources and utilisation of the resources in the banks. Today, in the commercial banks, there are deposits to the tune of Rs. 2300 crores. These huge amounts are being utilised by a hand-full of directors who control the bigger banks and out of roughly about 300 and odd banks, 12 banks control 89 per cent of the deposits and naturally these persons create a situation in the country by which all the plans for the development of the country always remain in jeopardy. From this angle we have been demanding that the banks should be nationalised. I can quite see that today in view of certain pressure from other side, the Government is not considering the nationalisation of banking at this moment. But, no doubt, it is a step towards the right direction to this extent. Unless further control or restrictions are imposed, things will not move.

Then, I come to the concentration of wealth about which the other day Mr. Masani gave a statement. I want only to point out today that we can see that it is not question of the basis of per centages only. What was the value of the Tata House ten years ago and

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what is its value now? What was the value of the Birla House ten years ago and what is the value now? They are the figures which will show how the concentration of wealth has taken. It is no good to put a statement, but the fact remains. The point is, how this has been done? It is tragedy that we have not been able to know what has been the outcome of the Mahalanobis Committee's report. We have been told that it has been submitted and from the various publications we find that it is written on the concentration of wealth and one of the main factors, apart from others, is that the use of money by the banks on easy terms is one of the factors for the concentration of wealth. It is a fact that those who control these banks control about Rs. 2300 crores. They lent money to the interested persons at a lesser and favourable rate through which they run their other industries and earn more profits and thereby the concentration of wealth takes place. It is essential, therefore, that there must be some restrictions imposed on them and that can be done by the effective control of the Reserve Bank. There have been complaints from the bankers' side immediately when this Bill was introduced. We have seen how the *Commerce*, the *Capital* or the *Eastern Economist* have reacted. Those papers representing vested interests have reacted and the reaction is very very strong. The other day I heard Mr. Masani on the Companies Amendment Bill. I was really surprised to hear him—I admire his argument, but I may not agree with his philosophy. But the way he argued on that day showed that he argued in despair as if the ground on which he was expecting to stand was losing. The words that he used against the Government and the Prime Minister were out of all proportion, because he found that after all the magic spell that was created by the capitalists for doing good to the country has now been dispelled by the awakening of the people and that is why today they are afraid that more and more restrictions are going to be

imposed and the concentration of wealth will not be allowed. That is why the exponents of the forum of free enterprise, whose past has been as black as possible, whose present is also not at all satisfactory and the future, of course, with the awakening of the people will be very bleak, speak with agony and with anger. The question is why there should be control by the Government or by the Reserve Bank. I submit that control is necessary in the interests of the people and in the interests of the depositors. There are nearly 60 lakhs of depositors. They do not know exactly how the shares are moving and so on. They just deposit their money in good faith and hope that the money will be utilised for the benefit of the community. But, instead, what do we find? We find that the money is being utilised for the benefit of a few individuals who earn more and who go on prospering at the cost of the money of the poor depositors. That is why today, as a guardian of the 60 lakhs of depositors, Government have to come forward with more restrictions and exercise them through the Reserve Bank.

My submission is that in spite of these controls, the Reserve Bank has not been able to move in the matter effectively and control and eradicate all the malpractices. In spite of the fact that the Banking Companies Act has been in force since 1949, and in spite of the fact that powers have been given to the Reserve Bank, we find to day that there are various malpractices and these have come out in the Reserve Bank Publication *Trend and Progress*. From that publication you will find that so far as the advances to the directors are concerned, they are on the increase. The consolidation of loans to one particular group has also been on the increase. So, my grouse is that the Reserve Bank has not been able to control these things in spite of the powers that it has got.

From the Taxation Enquiry Commission's report we find that so far as

the big capitalists are concerned, they have got ingenious methods and they employ very intelligent persons not to see that the country prospers but to see how they can exploit the situation and evade or circumvent the various provisions of the law. Therefore, I would submit that not only should powers be given to the Reserve Bank but the Finance Minister should see that the Reserve Bank utilises the powers properly.

In this connection, I would like to point out that every case of violation of customs laws or foreign exchange regulations involves one or other of the banks. We had a wonderful document in the Vivian Bose Commission's Report regarding the Dalmia-Jain concerns. But I am sorry that it has not been clearly pointed out there that in every transaction a particular bank was involved. So, if Dalmia has flourished, it has been with the connivance of a particular bank. Then, there is the case of Bird & Co. about whom we had some questions here the other day in regard to under-invoicing and over-invoicing. In this instance also, a particular bank is involved. So, it is not a question of taking steps only against one particular company. Unless you root out the main cause, you cannot stop all these illegal transactions. I would request the Finance Minister to consider this aspect that in every case of violation of customs laws or foreign exchange regulations, one or the other of the banks is involved, and unless there is proper control, the malpractices cannot be checked. But we find that as usual Government are moving very slowly.

If we look into the amendment tabled by Shri M. R. Masani, we shall see that instead of asking Government to withdraw this Bill he has only sought to omit those provisions by which Government want to give more controlling power to the Reserve Bank of India.

Coming to the clauses of the Bill, I would first like to deal with clause 12,

which deals with restrictions on power to remit debts. I do not know first of all why there should at all be any power to remit debts, because it is the money of the depositors. The loan is advanced only out of the depositors' money. So, why should any powers be given at all to the board of directors who are interested in remitting debts, because they do not bother about the institution at all but are bothered much more about their interest and their profit? Therefore, I would suggest that the power should not be given in the hands of the directors and if at all any such question arises, that should be done in consultation with the Reserve Bank of India. Otherwise, this power should not be given at all.

Coming to the control over management, I can quite see that a large number of persons will be affected. My difficulty is that I cannot mention the name of the bank or the persons who are directors thereof, because even a mention of that here will create difficulties for the institution which we do not want. But I may tell you exactly how these banks function. I can tell you that one particular bank has got a working capital of less than one crore of rupees, whose chief man to-day gets Rs. 900 P.M. as salary. Earlier, he used to get Rs. 500 or Rs. 600 or Rs. 700, but nowadays, he is getting Rs. 900 P.M. And that person has erected two palatial buildings in the city of Calcutta, and he feels pride in the fact that he has got two Alsatian dogs which would only take two seers of milk a day and he can afford to provide for them.

**Shri Sham Lal Saraf:** What is the paid-up capital of that bank?

**Shri Prabhat Kar:** Rs. 10 lakhs or so. This is a small bank. From this picture you can easily understand what banking business means. With the tremendous power of Rs. 2300 crores they are in a position to dictate terms and they can even sabotage any time any planning by Parliament. If today Government come forward with any Bill to control them, I think no one who

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has got the interests of the nation at heart and the interests of the development of the country at heart can oppose it.

As I was saying, I would suggest that the sooner the banks are nationalised, the better it would be for the country. I was reminded of the hon. Finance Minister's words 'The man-eaters? To whom did he make this reference? The man-eaters were having Rs. 10,000 crores unaccounted for.

**Shri B. R. Bhagat:** Rs. 10,000 crores?

**Shri Prabhat Kar:** Yes, Rs. 10,000 crores. That was what I saw in the press.

**Shri Bhagwat Jha Azad (Bhagalpur):** That was Rs. 1,000 crores.

**Shri Prabhat Kar:** I may be wrong; it may be Rs. 1,000 crores. This is the figure which the Finance Minister has stated a few days ago, as I read it in the press.

**Shri Sham Lal Saraf:** The hon. Member is mistaken. He has said that the tiger is at large. But we are riding over the tiger now.

**Mr. Deputy-Speaker:** The hon. Minister will correct him later if he is wrong.

**Shri Prabhat Kar:** With such a huge amount of black money going round there are persons who are today attacking the source of strength of this country. It is high time that they are found out; in fact, not only should they be found out but they should be caged, and if they cannot be tamed, then it is necessary to shoot them down.

I would only say that we are wedded to socialism. In this connection, I would like to quote what Professor Tawney has said. He says that you can take an onion leaf by leaf, but you cannot strip a living tiger paw by paw. If you want to do away with all these

evil deeds of the capitalist system and usher in socialism, then you shall have to be bold and you shall have to take strong steps, and I assure you that you will get the full support of the people of this country for that purpose.

With these words, I support this Bill.

14 hrs.

**Mr. Deputy-Speaker:** Shri Himatsingka. Ten minutes to each Congress Member.

**Shri Morarka (Jhunjhunu):** This is a very important Bill and the hon. Minister himself said that it has got certain provisions of far-reaching importance. This Bill is not going to a Select Committee. In ten minutes, such a technical subject cannot even be explained.

**Mr. Deputy-Speaker:** I cannot help it. 5 hours is the time allotted in all. 3 hours will be for general discussion and out of that on the basis of 60:40 the Congress party has got 1 hour and 48 minutes. I have to provide for other parties also.

**Shri Morarka:** I would respectfully agree. You may in proper cases extend the time.

**Shri Hari Vishnu Kamath:** You move for extension of time. We will support you.

**Shri P. C. Borooah (Sibsagar):** This is a very important Bill. The time should be extended to at least 8 hours.

**Shri Himatsingka:** Sir, I have already moved my motion for reference of the Bill to a Select Committee.

As has been mentioned by the Mover, this Bill has far-reaching consequences. The idea in the minds of most Members is that it tries to control the activities of the private sector banks, but you will find in one clause that it not only seeks to amend certain provisions of the Banking

Companies Act but intends to rope in everybody in the country, barring individuals. You will find from clauses 5 and 11 that certain provisions are added to the Reserve Bank Act whereby not only the banks will be controlled but non-banking institutions are brought in, which means companies, corporations or firms. All kinds of control are contemplated in sections 45J, K, L, M, N etc. You will find that non-banking institutions also have been divided into two kinds. One is financial institutions which means non-banking institutions doing particular kinds of business, which carry on financing as part of their business, whether by way of making loans or advances or otherwise of trade, commerce, industry or agriculture. Similarly in the next clause, persons dealing in debentures, stocks and shares etc. are covered. Then comes hire-purchase. That means, those persons who have something to do with financial transactions are covered.

Those who do not deal in such kinds of business are intended to be covered by the non-banking institutions provisions of the Bill. The powers proposed to be given to the Reserve Bank are very drastic, so drastic that I do not know whether the administrative difficulties and other things apprehended and due to which the compulsory deposit scheme was dropped may not crop up here too. The provisions will apply to every firm in the country. A firm may take a deposit of Rs. 100 and lend Rs. 10 out of it. Even that firm will be covered. It is not restricted to firms or corporations handling a certain amount of money, say, over Rs. 5 lakhs or Rs. 10 lakhs. I do not know if the implications of the Bill have been realised by most of the Members. The provisions are so wide that one shudders to think what will happen if it is not properly applied. Considering the amount of work that will be required to be done by persons, companies or firms or corporations coming within the scope of the provisions, it will be almost impossible to comply with them, at least by those

who live in outside places, in the subdivisions and in smaller towns. They will not even know that this Bill has been passed into law and they are required to send in all kinds of returns.

The powers that have been proposed are so vital and so drastic that I do not know whether anybody can be saved. You will find that apart from these firms and corporations which are intended to be roped in, the powers now being given to control commercial banks also are very wide. At present, the powers exercised by the Reserve Bank are themselves very wide. As a matter of fact, they are entitled even now to give all kinds of directions. They can exercise those powers in so many various ways that they can compel any banking institution to fall in line with the wishes of the Reserve Bank. There are cases where even managers have been removed, simply because the manager of a particular bank criticised the then Governor of Reserve Bank which the latter did not like.

You will find from the provisions in sections 45J, K, L etc. that all kinds of directions can be given to these institutions. Similarly, so far as the commercial banks are concerned, apart from the restrictions that have been proposed on unsecured loans, under the provisions proposed in clause 11, certain advances cannot be made to certain class of persons. No exception can perhaps be taken to that. There are other provisions, that at any time the Reserve Bank can give directions as regards the purpose for which the advances can be made, the margins to be maintained, the maximum amount which can be advanced. Also the maximum amount of guarantee can be given by a banking company on behalf of a company, firm or association is specified. The powers are so wide that the Reserve Bank takes the position of the board of directors or manager of the bank concerned and give directions that money is not to be given in advance for a

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particular purpose or given more than a particular amount. After all, the banks are managed by persons who are responsible and in whom the shareholders have trust. They are elected by the shareholders. They know their business. As a matter of fact, not many cases can be cited of any misuse of the powers of the directors requiring this kind of restriction.

Similarly, the other provisions proposed are also very very drastic. A director can be removed, a manager can be removed, an employee can be removed and no reasons need be assigned, except when there is sufficient time for the Reserve Bank to do so. There is no appeal. You cannot dismiss your *darwan* or even ordinary peon unless you give him reasons, and he has the right to go to the courts. But here the person in charge, a managing director or manager or employee can be removed without any reason. Even that vacant place is to be filled up by the Reserve Bank. The board of directors cannot do it even in consultation with the Reserve Bank. That power is attempted to be given to the Reserve Bank, not to the employer. The provisions are so wide that this Bill should be sent for scrutiny to the Reserve Bank. . . . (An Hon. Member: Reserve Bank?) I am sorry, to the Select Committee. There is another point about the provision regarding the voting rights. Suppose ten persons hold shares to the extent of five per cent each, it comes to 50 per cent of the share capital; if 20 persons hold one per cent each, it comes to 20 per cent. These 20 persons will outvote the persons who hold 50 per cent share capital. I cannot understand why you are making the minority to come in the position of the majority and control over minority shareholders. There is the provision to put five additional directors, although I find there is a Government amendment to reduce that number. All these cannot be considered in a House like this and therefore, I suggest that it be sent to a Select Committee.

Shri M. R. Masani: Mr. Deputy-Speaker, it seems very difficult for some of us to understand the mind of the hon. Finance Minister and his department. Only three days ago he made a statement on economic policy which was both enlightened and sophisticated and we had hoped that perhaps from then on the policies that would be followed would also be enlightened and sophisticated. Only two days later, today, he has come up once again with this reactionary and restrictive provision. . . . (An Hon. Member: Reactionary?) Anything that holds back the progress of the country is reactionary. This Bill repeats the pattern of the unfortunate Companies Bill which the House was dragooned into accepting a few days ago by a dictat from above.

What are the functions of a bank?—four, I believe: to provide safe custody for the funds of those who save, to mobilise thereby the savings of the community, to invest these resources in industry and commerce valid productive purposes, and finally to provide credit to entrepreneurs so that their productive operations may be financed. In more advanced countries, even the operations of farmers are financed by banks in that manner.

Today, one third of the banking system of India is already under the control of the State through the State Bank and its subsidiaries. Two-thirds is owned by thousands of small shareholders. Some of them are big banks called scheduled banks. The Reserve Bank regulates and guides the entire system with the wide powers that it enjoys today.

This is a situation that is appropriate in a mixed economy. Under British rule, our banking system was impeded by the domination of the British banks. Since Independence, Indian banking has a pretty wonderful record of service and by and large they have made good progress. By and large, banks have been efficiently run: I very much regret that the

Minister, while discussing this subject, failed to bring this point home. There may be a few malfactors, as there are in every walk of life, but by and large the banking industry is competently and honestly run.

You are now opening the door to the kind of demagogy which we have just heard from the communist benches. They talk of concentration of power. There is no basis whatsoever for this bogey that the communists and Congress benches are raising for demagogic reasons. The Reserve Bank's pamphlet on Trends and Progress of Banking in India during 1961 shows that, in the case of 40 banks inspected, the concentration of advances in the hands of a few operators was Rs. 31 crores, roughly 2.3 per cent of the total advances of those banks amounting to Rs. 1346 crores. That percentage of 2.3 was a drop from what it was eight years ago in 1953, when it was 3.8 per cent. In other words, whatever little concentration of advances there was dissipated and has come down from the insignificant figure of 3.8 to the even more insignificant figure of 2.6 per cent. Advances to directors, relations of directors and all those in the control of banking operations, in the case of those 33 companies inspected, was Rs. 9 crores representing 0.7 per cent of all advances as against 1.1 per cent in 1953. The Minister would have been fair to himself and to the country if he had the fairness and decency to state these facts before the House instead of trying to mislead it in the way Government are trying to do. If any concentration of power exists in the banking industry, it is in the hands of the Reserve Bank of India the nominees of the Minister himself. He is the big monopolist, big State Capitalist and the banking monopolist who is now trying to squeeze out the weaker section by using police powers for the purpose.

Anything that injures the delicate structure of the banking mechanism is a blow to the economy of this country; it is monkeying with the economy of

this country. That is what the Bill does.

My communist friend who spoke before me claimed that the Government of India are the guardians of the sixty lakhs of depositors. Let them go and get a vote of confidence from these sixty lakhs. These sixty lakhs of people have confidence in the bankers who run the industry today, and that is why they put their money in the banks. They have no such confidence in this Government. The expansion of the country's money market and the credit facilities of this country will be retarded by the monopolistic and bureaucratic tendencies. Some of those who deposit their money in banks will today hoard it in future, buy gold or put it underground, because they will not trust this confiscatory and expropriatory Government whose words cannot be trusted, as we saw in the debate on the Companies Bill. Lakhs of depositors have faith in the banking companies and have no such faith in the Government. Let the Government hold a plebescite among the sixty lakhs of depositors and then see whether they have confidence in the Finance Ministry.

It may be that there are malfactors; there are abuses. We know there are. Is that the reason for hamstringing the entire industry? There are corrupt Ministers; we have seen that there are; there are corrupt officials; we have seen that there are. Is that the reason for abolishing Government? (An Hon. Member: Turn them out.) and having anarchy?... (Interruptions.) Would it be logical if you abolish altogether the Government because some Governments are corrupt? That is a fallacious argument. Deal with the malfactors; you have the support of the whole country. But do not lay your axe at the root of the tree that gives the country this credit mechanism. I have said that their record is generally good. There are exceptions and they should be dealt with, but not by this crude and rusty weapon which is sought to be wielded.

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Apart from the danger to the country, look at the position of the Reserve Bank itself. It has its hands full. Its record, by and large, is reasonably good. In the last ten years, it has learnt gradually to rise to its responsibilities. It is just at this time when you dump on it an amount of ministerial forms and work which is altogether repugnant to any intelligent set of people. This will lead to further bureaucracy; this will lead to the expansion of staff, and this will lead to Parkinson's Law setting in motion again. You are creating a huge bureaucracy to run something that requires a delicate mechanism. I feel sorry for the Reserve Bank of India and those officials who will now have to do a lot of clerical and ministerial work which should not be entrusted to them. Any amount of paper work will be dumped on them, of which figures have been given in this House. Thus, the quality of supervision and leadership that the Reserve Bank should give will be weakened and even the Reserve Bank will not be able to perform its functions in the way it should.

It may be argued that this Bill does not seek to destroy the banking industry. My hon. friend over there is entitled to say that. I think that it does not destroy the banking industry, of course, but it only cripples it. Crippling is the first step to destruction. That is why from these Communist Benches, your Bill has been welcomed. The Communist Party in every country believes in increasing misery. It believes in disrupting the social fabric so that the pillars can be brought down. Their welcome should make you think twice. The democrats who adorn the Congress Benches should think twice when they get support from these Benches. It is very dubious support. The enemies of the country's progress want something; that is a very good warning to all men of good faith to think again.

So, this Bill will cripple the banking industry. I entirely agree with and

endorse what has fallen from the lips of the preceding speaker from the Congress Benches. "He said he shudders to think" what would happen after these powers are given. How long will the hon. Members of the Congress Party go on sitting there and shuddering to think? Why do they not think instead? Why not cross the floor? In any other country, when a man shudders to think of the results of Government's actions, he crosses the floor. There are many members of the Congress Party who are today shuddering to think. I appeal to them to consider their own obligations to this country: whether they would remain there or whether they will, in being honest to the country, cross the floor.

I will not spend time on the clauses, since you have been good enough to keep two hours for the discussion of the clauses. I, along with my hon. friends on the Congress Benches, have not tabled several amendments, and we shall discuss those clauses when they are moved. But there is no doubt at all in my mind that the powers given by clauses 18, 11, 13 and 9 will be disastrous. This Bill gives the Government, through the Reserve Bank, the power to remove a director or an officer or any employee, even a clerk of a bank without giving any reason, without alleging any crime. Even if they do not contravene the provisions of any rule or regulation, the Reserve Bank can say, "Mr so-and-so will hereby be dismissed from the bank." He stands dismissed. It is true that normally he may be heard, but the Reserve Bank may dispense even with the right to hear the gentleman concerned and dismiss him without his being heard and leave him to make an appeal to the courts later. Is this consistent with the spirit of the rule of law? Is this the kind of thing that we want to bring into existence under our Constitution about which we all expressed pride in the last two days? This is a classical example of giving to the Reserve Bank power without responsibility.

Today, the Reserve Bank cannot sack even its own officers. Under the Industrial Disputes Act and the orders of tribunals, the management of the Reserve Bank cannot sack its own clerks and its own officials. But it can arbitrarily sack anyone else's clerk and anyone else's officials. So, the labour laws of the country will not protect them. It is an anti-labour legislation, quite apart from anything else.

That is the way it truncates the discretion of the bank managers and directors to run the bank as their shareholders and their depositors want their to run it, and that is why we are opposed to this Bill altogether.

There is a clause that seeks to truncate the right of non-banking companies to carry on the work of banking. This is something that has come down in our country as in other countries from tradition. From the Middle Ages in India in the countries of Europe, there have been banking houses which have been of a mixed character. They are not banks, they do other business; they also safeguard depositors by putting their deposits to fruitful uses. There is nothing wrong with it. Even today, in the more advanced countries of the West, there are institutions that are not primarily banks that carry on the business of banking. Again, we are trying to hurt these institutions at a time when the banking industry in this country has not developed to its full stature, when people in the villages do not know what a bank is and do not know where they can deposit their money. We are trying to destroy the only channel in which these small depositors place their money in safe hands. All these are various aspects of this needless regulation and interference.

The aim of the Bill, as given in the Statement of Objects and Reasons, is as usual, deceptive. Anyone who reads the Statement will think that this is a very modest Bill. The name of the Bill is even more deceptive. It is called the "Banking Laws (Miscellaneous pro-

visions) Bill". It has been well said in the press recently that it is a Bill which seeks not only to enhance and extend the powers of control and supervision over the commercial banks but to an extent enabling the Reserve Bank of India to appoint additional directors on the Board of the banks, summarily dismiss them without going through the due process of law and to issue directives regulating the maximum financial accommodation that will be needed; and so on and so forth. There is a long column, and it ends by saying sarcastically that "it yet has been designated as a Bill containing miscellaneous provisions". There is nothing miscellaneous about this Bill.

**Mr. Deputy-Speaker:** The hon. Member's time is up.

**Shri M. R. Masani:** I would like to take a few minutes more. I am the only spokesman of my Party.

**Mr. Deputy-Speaker:** You have already taken 15 minutes.

**Shri M. R. Masani:** Not quite; something less. So, Sir, I was saying that this Bill should have been described as a Bill to cripple the Banking Industry and not as Miscellaneous Provisions Bill. It is a Bill with malice; it is a Bill with a knife in it. There is nothing constructive about it.

I would have gladly supported my hon. friend's motion that the Bill be referred to a Select Committee. I think such a Bill should go to the Select Committee but, after the experience we had in this House a few days ago and the contempt with which this Government treats reports of Select Committees, I do not think very much purpose will be served. Therefore, I am moving that this Bill be circulated for the purpose of eliciting opinion thereon by the 29th February, 1964. I know that my hon. friend opposite will not accept this amendment. They want to hustle the country and the house into passing a

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Bill about the very nature of which we do not understand enough. I am not familiar with banking. This morning, when the amendments of the hon. Minister were flung at us, when we were asked to discuss them this afternoon, I certainly could not understand the purport of more than half of them. I think I understood about half; the other half, I said I shall have to consider what they contain. Is this the way that the House is going to be asked to enact legislation which would affect the very economic life of this country?

I would like to make another suggestion to my hon. friend. Postpone the Bill. Appoint a Commission of Inquiry at a high level. Let the Commission of Inquiry go into the entire structure and management of the banking industry. Let the report of the Commission of Inquiry be placed before the House and let legislation be introduced on those lines. I challenge the Government to do that. Then they will have a case. Otherwise, today, they are asking us to take action against the industry without any basis at all.

Now, in his book entitled *A Week with Gandhi* my friend Mr. Louis Fisher quotes Ghandhiji as saying that, if Ghandhiji had had his way, he would have wound up the Reserve Bank of India and the State Bank and distributed the funds in their vaults throughout the villages of India, because this should have been the decentralisation of economic power. That was Ghandhiji's symbolic way of showing his antagonism to monopolistic State institutions like the Reserve Bank and the State Bank.

What does this Bill do? This Bill does exactly the reverse. This Bill tries to take away the deposits of the small people throughout the villages and towns of this country and bring them into their hands, the hands of the big monopolies in Bombay and Delhi. That is why this Bill is contrary to everything fundamentally democratic

and liberal in Ghandhiji's teachings. It is not an accident that one of Ghandhiji's best living disciples, Shri Jai Prakash Narayan, wrote in the Hindu of 8th November: "The more centralised the economic order, the greater is the exploitation; power has also to be decentralised. The basic thing in a democracy is, who takes the decision? A few at the top or the many at the base."

Once again, in this Bill as well as in the Companies (Amendment) Bill last week, we have a clash between those who believe in a free society and those who believe in a command economy of the Soviet type. The support this Bill has got from the representatives of the Soviet Government and system in this country shows that this is not a democratic Bill.

**Shri Prabhat Kar:** What have these representatives to do with the Soviet Government?

**Shri Daji (Indore):** Sir, on a point of order. He said "representatives of the Soviet Government." It cannot be allowed. He must withdraw it.

**Mr. Deputy-Speaker:** Please withdraw it.

**Shri M. R. Masani:** I withdraw the word "Government." I meant the Soviet system.

**Shri Morarka:** Sir, I think that there is ample justification for sending this Bill to a Select Committee. This Bill has a misleading appearance of simplicity. It is a harsh provision and, if I may say so, an unreasonable law to be put on the statute-book without examining and scrutinising the various provisions. This Bill introduces for the first time a principle of arbitrariness in our system of jurisprudence. The reasons why I say that this Bill should be sent to a Select Committee

are these. It is for the first time that a Bill expands the scope of the functions of the Reserve Bank. Apart from controlling the commercial banks, this Bill is going to control now each and every financial institution, of every type. Further, it is also going to control each and every non-banking institution which accepts deposits from the public. And then as regards what these deposits are, whether it is a loan or deposit, again the judgment of the Reserve Bank would be final.

The second reason is that this Bill in a way curtails the fundamental right, right to property, in a very substantial manner. It reduce the voting rights from five to one per cent. I will have something more to say on it when I come to the details.

Then it gives powers to the Reserve Bank to appoint upto five directors on the board of any banking company. I will not go into the merits of the proposition just now; we will discuss it when we come to it. But the fact remains that on the board of any bank, if there are five government directors sitting, nationalisation is a far better alternative and a more equitable proposition than to have the banks functioning as they are with five government directors. In nationalisation you pay compensation. Besides compensation you take the responsibility for the proper functioning of the undertakings that you nationalise.

**An Hon. Member:** Kindly move that motion.

**Shri Morarka:** Under this regulation and control, you have government control of the banks without any nationalisation, without any compensation, without any responsibility. Then, my most important point is about the right which you are giving to the Reserve Bank to remove the Chairman, the managing director, director, manager, executive or any other officer of the bank.

**Shrimati Savitri Nigam (Banda):** If they do not act properly.

**Shri Morarka:** I agree. If they do not act properly, they must be given a punishment. If the thief commits theft he is given punishment. If a murderer commits murder he is given punishment. But before anybody is given punishment he is given a fair trial. (*Interruption*). This is not a thing of satire.

**Shri Bhagwat Jha Azad:** There are so many murders already done by the banking companies. I know which interests you represent.

**Mr. Deputy-Speaker:** Order, order.

**Shrimati Savitri Nigam:** Reserve Bank is the competent authority.

**Shri Morarka:** My friend is aware of the murders committed by banks. I bow to his knowledge. I am not aware. Therefore, my arguments are based on that ignorance.

**Shri Bhagwat Jha Azad:** You know everything, but you connive. That is the point.

**Shri Morarka:** I think my friend who is as young as I am should at least have some regard for the etiquette of Parliament.

**Shri Bhagwat Jha Azad:** I know more etiquette. He should not talk of etiquette. This etiquette is not the monopoly of my friend.

**Mr. Deputy-Speaker:** Order, order.

**Shri Morarka:** I was only saying that before a man is condemned he is given a fair trial. And if you don't give him the due process of law, the chance to prove his innocence to that extent you are introducing new principles.

**Shri M. R. Masani:** Communist principles.

**Shri Morarka:** It is only the other day that we amended the Companies Act. In the Companies Act which was approved by this honourable House, what principles did you adumbrate? You say there will be a tribunal, an independent tribunal; there would be a recommendation of the tribunal; and only on that recommendation of the tribunal the Government can remove a person from the management. And even then there would be an appeal, at least on the question of law, on the decision of the tribunal and the Government. Here there would be nothing. The Reserve Bank along would be the sole custodian of the interests of these people. The Reserve Bank would be the prosecutor, the Reserve Bank would be the judge, the Reserve Bank would be the jury, and the Reserve Bank would be the executioner. This would be the function of the Reserve Bank. However impartial this institution of the Reserve Bank may be, there may be good officers, there may be bad officers, and I think there must be valuable safeguards, some brakes and safety valves provided in the interests of the citizens of this country.

Then, apart from all these things, the parties who would be affected by this legislation, the various non-banking companies, the various hire-purchase companies, the various financial institutions, commercial banks and shareholders, none of them have been consulted by either the Reserve Bank or the Government.

And above all, the most important thing is that even the hon. the Minister of State who moved the motion this morning did not give a single reason why he wants to rush through this Bill. Unless and until there is some reason, some semblance of a reason why the Bill should be rushed

through, I think it would be a good and healthy practice to send the Bill to a Select Committee of this House and to have the Bill scrutinised there. Why this nervousness of sending a Bill to Select Committee? I do not agree with my friend Mr. Masani when he says that a Select Committee does no good to the Bill.

**Shri M. R. Masani:** I did not say that. I said that Government showed contempt for its recommendations.

**Shri Morarka:** It is not correct to say that the Government showed any contempt for the recommendations of the Select Committee. It is also true that the House is not bound to accept each and every recommendation of the Select Committee. But even in the Companies Bill, most of the recommendations of the Select Committee, with the exception of one, were accepted by this honourable House.

Now, this Bill, as I said, seeks to regulate, control and govern the activities of non-banking financial institutions and other non-banking companies receiving deposits. This is a comprehensive Bill which introduces far-reaching structural and operational changes in the banking credit and monetary mechanism of the country. In short, this Bill authorises the Reserve Bank to appoint additional directors on the board of the bank, to summarily dismiss any person in management without going through the due processes of law, to issue directives regulating maximum financial accommodation which can be given to any individual, firm or company. It curtails the voting rights of shareholders; it regulates further the term of office of the chief executive; and, finally, it restricts the loans that may be advanced to the directors or to the associates of the company.

There are many provisions in the Bill which are very good and healthy but yet there are some provisions which require careful looking into. Take, for example, this provision which appears so attractive to everybody, namely to reduce the voting rights from 5 per cent to 1 per cent. The biggest shareholder today in the country is the Life Insurance Corporation. The Life Insurance Corporation has got 27 per cent shares of one bank. The moment this Bill is passed, this 27 per cent voting rights would become 1 per cent. So far as the individuals are concerned, even if they have got 20 per cent shares held by one individual today, they can easily transfer their shares, they can easily divide their shares among twenty persons and still maintain the same quantum of voting right. Whom are you going to help by a provision of this type? You hear the public criticism that you have violated the rights to property by reducing the voting right. But in effect whose voting right are you going to reduce? The private individual can divide the share and still retain the same voting rights. But the Life Insurance Corporation or the Unit Trust which you are going to form are not going to, they cannot, they have got no other nominees, and therefore it is their voting right which will suffer. Would that strengthen the Government's hands, or would that weaken the Government's hands. I would like to know. Why do this thing in a hurry without understanding the implications properly? I could have understood if you had brought simultaneously with this provision the restrictions on share transfer. If you have that provision also, then a person who holds 20 per cent shares today cannot divide the holdings and transfer the shares. But without that provision, your scheme of Government interference and control is basically incomplete. It is only the Government institutions and public institutions like LIC which are going to suffer.

You are going to bring within the ambit of this Bill all other financial

institutions and non-banking companies. Even before this Bill was introduced, as early as May 1962 the Reserve Bank has been writing to the various companies questioning the right of accepting deposits. The Reserve Bank had been telling them that because there is a provision in the memorandum of the Association to accept deposits and invest that amount you take as deposits, it automatically becomes a banking company. Sir, out of 32,000 companies which are functioning in the country today, there is hardly any company the memorandum of which does not contain a provision like this. Does this mean that all the 32,000 companies would now become financial institutions or would become non-banking companies over which the Reserve Bank would have its jurisdiction and authority?

I have already talked about the removal of the director. It is a very strange anomaly that the Reserve Bank cannot remove its own directors and officers; I cannot remove my officer from the bank, but the Reserve Bank can remove me and any other officer, without assigning any reasons, summarily and I have no remedy. To say the least, this is against the principles of natural justice. If I have done something and found guilty by any process of law, by all means give me the punishment you think proper. We discussed the Preventive Detention Act. My friends on the other side were very eloquent in the name of liberty, fraternity and what not. Now when the same thing is being perpetuated here for offences which are of a commercial nature, they lend their weighty support to the provisions of this Bill.

Government now gives the right to the Reserve Bank to appoint up to 5 directors on the board of any company. Now Government have come forward with an amendment saying either 5 directors or one-third, whichever is less. In other words, it is not Government's intention to have a

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majority in the Board. If that is so, what is the sanctity of having 5 directors or one-third? Either Government keeps one person as a watchdog or inspector on the Board or Government has a majority in the Board and controls the affairs of the bank. But to have a group of people looking-over the shoulders on the work that the other directors would be doing is not in the interest either of the bank or the Reserve Bank or the monetary system of the country at large.

Under the guise of protecting the public interest and improving the business morality, there is a tendency on the part of the bureaucracy to arrogate to itself all the discretionary and discriminatory powers that can possibly be conceived of in spite of limitations against this in the Constitution. This tendency to aggrandize the coercive powers and the ultimate unauthorised growth of authority is bound to tamper with justice and fairness. Under these powers, there is a tendency on the part of the government agents to presume a man guilty unless he proves his innocence; to ignore the statute of limitations, to charge a man with offence so old that he cannot marshal evidence in defence, to prosecute a man for doing something that was not declared wrong until after he did it, to assume inquisitional powers and to ignore facts and infer guilt.

I think that there is ample justification for reference of this Bill to a Select Committee. I am sure the Select Committee will do something good and return the Bill in a more acceptable form to the House. The people whose interests are affected must at least have the satisfaction that they have presented their viewpoints and their case before a Select Committee of this Parliament.

**श्रीमती सुभद्रा जोशी (बलरामपुर) :**

उपाध्यक्ष महोदय, आज जो बिल इस सदन के सामने आया है उस से कुछ निराशा सी

हुई। जिस समय इस हाउस के सामने बैंक के राष्ट्रीयकरण का बिल आया था, उस का जितना अच्छा रिस्पांस और जितना स्वागत इस हाउस के अन्दर और देश के अन्दर हुआ था उस से ऐसा मालूम होता था कि सरकार बहुत जल्दी कोई ऐसा कानून लायेगी जिस से कि बैंकों का राष्ट्रीयकरण हो जायेगा। इस के साथ ही साथ अभी कई सदस्यों ने कहा, और यह कोई नई बात नहीं थी, कि काफी समय नहीं दिया गया। इन सब चीजों पर काफी विचार होना चाहिये।

हमारे यहां सन् १९४७ में कांग्रेस ने एक एकान्तिक प्रोग्राम कमेटी बनाई थी जिस के अध्यक्ष हमारे प्रधान मंत्री थे। उन्होंने सन् १९४७ में यह सिफारिश की थी कि बैंकों का राष्ट्रीयकरण हो जाना चाहिये। मेरा खयाल है कि सन् १९४७ से ले कर आज सन् १९६३ तक काफी समय हो गया और सरकार तथा कांग्रेस और जो सदस्य इस हाउस के अन्दर और बाहर हैं वे इन सब चीजों पर विचार करते रहे हैं। इस के बावजूद भी, जो निराशा इस से हुई है उस के बावजूद भी, जो बिल इस हाउस के अन्दर आया है मैं उस का स्वागत करती हूँ क्योंकि इस बात को सरकार ने महसूस किया कि रिजर्व बैंक के पास जो पावर्म है दूसरे बैंक को रेगुलेट करने के लिए वे काफी नहीं हैं। जो हमारे बैंक है उन के साथ दूसरी कम्पनियों की तरह सलूक नहीं होना चाहिये। जैसा मैंने पहले कहा, यह हमारे यहां की एक की इन्डस्ट्री है और सारे देश का इंटरेस्ट उन के हाथ में रहता है। डिपॉजिटर्स के इंटरेस्ट के अलावा पब्लिक इंटरेस्ट में आज एक ऐसा बिल अगर लाया गया है जिस से रिजर्व बैंक का कंट्रोल उन पर बढ़े तो हम सब लोग उस का पूरा स्वागत करेंगे।

जिन माननीय सदस्यों ने इस बिल का विरोध किया है उन के भाषण सुनने के बाद तो मेरा विश्वास और भी पक्का हो गया है कि सचमुच यह बिल बहुत मुनासिब है और जरूर इस से कुछ न कुछ फायदा होने वाला है। इसी लिये वे लोग इस का विरोध कर रहे हैं। उन्होंने ने अपनी स्पीचों में बहुत सी गलत बातें भी कही और कुछ यह भी सिद्ध करना चाहा हम लोगों के सामने कि किस तरह से यह बिल डिपॉजिटमें और देश को फायदा पहुंचाने वाला है। यह भी जिक्र हुआ कि मरार यहां किस तरह से यह जो बैंक है वह मानप्रैटिसिज में चले जाते हैं, किस तरह से बदइन्तजामी करने है और किस तरह से वे अपने लोगों के पर्यो का दुरुपयोग करने है। यह कोई नई कहानी नहीं है इसलिये मैं उस को इस सदन के सामने डेरगाना नहीं चाहती। लेकिन मुझे इस बात का बड़ा आश्चर्य है कि इस बात को मानते हुए भी कि बैंकों का मिसमैनेजमेंट हो सकता है और उनके रुपये का अच्छी तरह उपयोग नहीं हो पाता है लोग कहते हैं कि बैंकों को कंट्रोल करने की जरूरत नहीं है। इस बात को मानते हुए भी कि सरकार ने कोई अच्छा कदम नहीं उठाया, अगर यह कदम उठाने के बाद भी, डाइरेक्शन देने के बाद भी इन्टरक्वॉस देने के बाद भी, वहां मिसमैनेजमेंट होना है, वहां का प्रबन्ध ठीक नहीं होता है तो क्यों न सरकार उस बैंक को ले ले, यह बात मेरी समझ में नहीं आती है। हालांकि आज हम समझते हैं कि सब बैंकों का राष्ट्रीयकरण हो सकता है लेकिन कुछ लोगों का विचार है कि सब बैंकों का राष्ट्रीयकरण नहीं हो सकता तो जिस बैंक के सम्बन्ध में रिजर्व बैंक मेडिटर्फाइड हो सरकार को सेंटिस्फेक्शन हो कि उसका मैनेजमेंट ठीक नहीं है, बावजूद इन्टरक्वॉस, के, बावजूद सुपरविजन के, बावजूद डाइरेक्शन, के गड़बड़ी चल रही है, तो मैं समझती हूँ कि रिजर्व बैंक को यह अख्यार होना चाहिए कि वह उस पर कंट्रोल करवा

सके और अगर मुनासिब समझे तो उसको ले।

कहा गया कि अगर इस किस्म की कोई तहकीकात शुरू हो जाय तो बैंक पर रश हो जायगा। उपाध्यक्ष महोदय, मैं कहना चाहती हूँ कि कुछ बैंकों के बारे में, जिनका मैं नाम लेना मुनासिब नहीं समझती, लोग कहानियां लिए घूमते हैं, उनके मिसमैनेजमेंट के कागज लिए घूमते हैं, टेप रिकार्ड किए बयान लिए घूमते हैं, चिट्ठियां लिए घूमते हैं, अगर उनकी शिकायतों को सुनने का और उनका इनवेस्टिगेशन करने का सरकार ने इन्तजाम न किया तो बाहर जो अफवाहें फैलेंगी वे बैंकों को और भी ज्यादा नुकसान पहुंचायेंगी। अगर रिजर्व बैंक यह कह दे कि हम जांच करेंगे और मिसमैनेजमेंट मालूम होने पर उस बैंक को टेक ओवर कर लेंगे, तो कम से कम लोगों में बैंकों की तरफ से अधिक विश्वास हो जाएगा। बैंक समझेंगी कि शिकायत होने पर हमारी जांच होगी और बैंक को टेक ओवर भी किया जा सकता है, तो वे अच्छा काम करेंगी। इसलिए इसमें यह प्राविजन होना चाहिए कि अगर जांच करने पर पता चले कि इस बैंक में मिसमैनेजमेंट है तो उसको सरकार को ले लेना चाहिए।

अभी इस बिल में यह प्रावाइड किया गया कि सरकार एक से ज्यादा डाइरेक्टर मुकर्रर कर सकती है। मुझे खुशी है कि फाइनेंस मिनिस्टर जो नया अमेडमेंट लाए हैं उसमें उन्होंने यह जाड़ दिया है कि परमानेंटली हटाने के अलावा अगर रिजर्व बैंक मुनासिब समझेंगी तो वह उनको एक किस्म से सस्पेंड भी कर सकती है और काम पर से हटा सकती है। इस बारे में मरारका साहब ने कहा कि चोर को भी सजा दी जाती है

[श्रीमती सुभद्रा जोशी]

तो उसको सफाई का मौका दिया जाता है कातिल को भी सजा दी जाती है तो उसको सफाई का मौका दिया जाता है। पर इतना तो वे जरूर मानेंगे कि अगर किसी पर शुबहा है और विश्वास हो गया है कि वह चोर है तो उसको उस काम से हटा देना ठीक है ताकि वह और भी चोरी न कर सके। आप जानते हैं कि बैंकों में छोटे छोटे लोगों का रुपया होता है। जिस आदमी पर चार्ज साबित हो जाए या जिस पर पक्का शुबहा हो जाए, अगर उसको हटाया न जाएगा तो मरारका साहब और मसानी साहब जानते हैं कि वह किस तरह से खुद बुर्द कर सकता है। मैं यह नहीं कहती कि वह ऐसा करते हैं, लेकिन वे बिजनेस करते हैं इसलिए जानते हैं कि अगर उस आदमी को वहां से हटाया न जाए तो वह ऐसा नक्शा बना देगा कि आपको पता नहीं लगेगा कि उसने क्या किया है और क्या नहीं किया है। तो यह बहुत अच्छा प्राविजन है और मैं इसका स्वागत करती हूँ।

लेकिन जैसा कि मरारका साहब ने कहा कि इसमें जो एक डाइरेक्टर या पांच से कम डाइरेक्टरों को मुकर्रर करने की बात है वह मेरी समझ में नहीं आयी। हो सकता है कि वह टेकनिकल मामला हो और हमारी समझ में न आता हो। एक या पांच डाइरेक्टर वहां जाकर क्या करेंगे, शायद खबरें लाकर देंगे। वे क्या कंट्रोल कर सकेंगे। एक तिहाई से कम डाइरेक्टर होने से रिजर्व बैंक किस तरह से उनका खयाल रख सकेगी। मैं चीज को मैं चाहती हूँ कि फानेडम मिनिस्टर साहब समझायें। मैं तो यह कहना चाहती हूँ कि इसके लिये इसमें एक ऐसा प्राविजन होना चाहिए कि अनसीक्योर्ड लोन बैंक को अपने डाइरेक्टरों को नहीं देना चाहिए। बल्कि मेरा तो यह भी विचार है कि अनसीक्योर्ड लोन न सिर्फ उसी बैंक के डाइरेक्टरों को न दिया जाए, साथ ही दूसरे बैंकों के डाइ-

रेक्टरों को भी न दिया जाए। क्योंकि अगर यह तरीका जारी रहेगा कि दूसरे बैंक के डाइरेक्टरों को अनसीक्योर्ड लोन दिया जाए, तो एक ग्रुप बन जाएगा, और एक बैंक दूसरे बैंकों के डाइरेक्टरों को इस तरह का लोन देने लगेंगे और यह लेनदेन चलेगा और इसको रोकना मुश्किल हो जाएगा। मेरा तो ऐसा कहना है कि एक लिमिट के मुकर्रर हो जाए कि उस लिमिट के ऊपर कोई भी अनसीक्योर्ड लोन रिजर्व बैंक की इजाजत के बिना नहीं देना चाहिए क्योंकि अनसीक्योर्ड लोन का बहुत नाजायज इस्तेमाल हो जाता है।

इसी तरह से मुझे फानेन्स मिनिस्टर साहब से यह भी कहना है कि यह रेमिट करने की पावर दी गयी है रिजर्व बैंक से पूछ कर और अपने डाइरेक्टरों को रेमिट न कर सकें यह भी मेरी समझ में नहीं आया। यह बैंक ट्रस्ट की तरह है। जिस तरह से ट्रस्ट से लिया हुआ पैसा रेमिट नहीं किया जा सकता, उसी तरह से बैंक का दिया हुआ कर्जा भी रेमिट करने की किसी को भी इजाजत नहीं होनी चाहिए। इसलिए मैं चाहती हूँ कि ऐसा बैंक अपने डाइरेक्टरों के लिए भी न कर सकें।

और इसमें यह भी प्रावाइड किया गया है कि अगर कोई रिजर्व बैंक की इजाजत के बिना रेमिट करने की कारवाई करेगा तो उस कारवाई को वाइड माना जायेगा। मेरा ऐसा खयाल है कि यह काफी नहीं है। अगर कोई इतना बड़ा कुसूर करे कि लोगों का डिपाजिट बिना इजाजत के रेमिट कर दे तो मेरा खयाल है उसे एमजिबैलमेंट की तरह ट्रीट करना चाहिए, उस कारवाई को नल एंड वाइड करना काफी नहीं है। जो इस तरह पब्लिक के पैसे को खुद बुर्द कर दे उसको सख्त सजा होनी चाहिये, और मेरा खयाल है कि उसको इंडियन पीनल कोड की दफा ४०६ में

सजा दी जानी चाहिए। इस बारे में मैं इतना ही कहना चाहती हूँ।

अभी मसानी साहब ने बैंकों के फंक्शन बतलाये। लेकिन मैं पूछती हूँ कि कितने ऐसे बैंक हैं जो अपने फंक्शन को ठीक तरह अंजाम देते हैं। हम ने देखा है कि २५ पर सेंट तो वे स्टॉक एक्सचेंज में लगा देते हैं।

मसानी साहब ने अभी चैलेंज किया है कि इस बिल को लेकर प्लेबिसाइट करा ली जाये। मैं माननीय मंत्री महोदय से कहूंगी कि वे इस बात को मान लें, और सिर्फ इसी सवाल को ले कर नहीं बल्कि बैंकों के राष्ट्रीयकरण के सवाल को ले कर प्लेबिसाइट करा लें। अगर वह ऐसा करेंगे तो मुझे पूरा विश्वास है कि पूरा देश इस बात से सहमत होगा कि बैंकों का राष्ट्रीयकरण फौरन किया जाये और सिर्फ इतना ही अमेंडमेंट करके न छोड़ा जाये।

आज हमारे देश के पूँजीपतियों का रवैया सरकार के साथ यह है कि तुम डाल डाल तो हम पात पात, यानी अगर सरकार कोई कानून बनाती है तो वे ऐसे तरीके निकालते हैं कि उसमें से किस तरह निकल जायें। तो मेरा कहना है कि सरकार को ऐसा इन्तिजाम कर देना चाहिए कि पब्लिक मनी के साथ वे लोग और खेल न खेल सकें।

**Shri Bade (Khargone):** Sir, I support this Bill because we are opposed to nationalisation of banks which means State capitalisation. We are opposed to individual capital concentration. When we are opposed to the nationalisation of banks, it is our duty to see that the banks working in India are regularised. In the Statement of Objects and Reasons it is said that they have brought this Bill to regulate the conditions on which deposits may be accepted and also to

enhance the powers of the Reserve Bank in relation to commercial banks in certain directions so as to provide stricter supervision of the operations and working of such banks. But I would like to support the amendment moved by my hon. friend there saying that the Bill should be sent to a Select Committee, because I feel that there are certain provisions which are detrimental to the agriculturists and the people in the mofussil areas. On page 2 there is a provision which says:

“(c) ‘financial institution’ means any non-banking institution which carries on as its business or part of its business the financing, whether by way of making loans or advances or otherwise, of trade, industry, commerce or agriculture; or”.

That means, if any petty sahuakar gives loans to an agriculturist then he also comes under this provision. There are petty sahuakars in every village. If the Reserve Bank is given a hold over these petty sahuakars then they will have to send their annual balance-sheet to the Reserve Bank officials. Then these petty sahuakars will stop lending money. The co-operatives give only three per cent and the rest is given by these sahuakars. If they stop giving money loan the poor agriculturists will be affected. So, the implication of this provision is that this law will be made applicable to petty sahuakars. This is very detrimental to sahuakars. They are most illiterate. I know there is much profiteering and exploitation by these sahuakars and, therefore, all States have passed money lending Acts, Sahuakar Vidhan Kanoon, Debt Relief Act, Debt Concession Act and all that and they have made provisions restricting the money-lending and taking more interest from the agriculturists. But here there should be some exception made that this provision may not be made applicable to these sahuakars or those creditors

[Shri Bade]

who give only Rs. 10,000 or Rs. 20,000 per year. There should be some such provision.

there should be no objection against clause 12 in this enactment.

15 hrs.

Then there is another provision regarding removal of managerial and other persons from office. I refer to page 11 of the Bill. The provision is like this:

“Notwithstanding anything contained in any law or in any contract, memorandum or articles of association, on the removal of a person from office under this section, that person shall not be entitled to claim any compensation for the loss or termination of office.”

That is most undemocratic. If the officer is removed from office, he is not entitled to any compensation; nothing is given. If there are malpractices or other defaults, they are not given any compensation. But only because he is removed from office, he will not get compensation. That, I think, is against the common law and the recognised principles of jurisprudence.

Then, there is one more point about which I have got some doubts and that is about the remittance of debts. The remittance of debts, of course, will be done with the previous approval of the Reserve Bank. The provision is quite good. The contention of Mr. Morarka was that remittances should not be with the approval of the Reserve Bank and that only with the approval of directors. I think, my hon. lady Member must not be knowing the law and how the proceedings are going on in courts. Sometimes, the banks are to remit the debts if they are bad debts. If some compromise comes about, they should be authorised to remit debts. Therefore, the provision is proper and, I think,

There is one more provision about these depositors that nobody can deposit the amount or give the loan in any part of India except if they are named as banks. That is also wrong because there are so many thousands and thousands and, I think, more than lakhs of sahu-kars doing the business of kirna merchant and doing the business of money lending. Why should they name their dukan or shop as shop as bank. That is also not proper. Therefore, I think, if the Bill goes to the Select Committee, all these defects would be removed.

Then there is another thing also. They have said that there are 60 lakh depositors. The money of the depositors is very badly used. I have seen banks cornering the whole market. What do they do? A sahu-kar purchases some cotton and then he deposits cotton in the bank and takes the money and again he goes to the market and raises the rate and he deposits that cotton with the bank and again takes the money from the bank by depositing cotton or groundnut and in this way the whole market is cornered and the prices go up. Therefore, all those creditors make too much profit or gain out the money which is deposited in the bank and the depositors do not get any interest of an equal amount. I think this provision here in the Bill is proper. I think the Government is doing the proper thing in regularising these banks. I support this Bill. At the same time I support the motion brought forward by my hon. friend on the other side to the effect that this Bill should be sent to the Select Committee so that all the provisions which are defective and which have implications over the mofussils—our hon. Minister does not know how the things go on in the villages—are cured.

**Shri V. B. Gandhi** (Bombay Central-South): Mr. Deputy-Speaker, Sir, this Bill is in a mixed bag. There is something good in it and something not so good. The Finance Minister said that this Bill is criticised on the ground that the Reserve Bank is seeking to take arbitrary powers. Well, it is not the taking of arbitrary powers on which this Bill is being criticised, but it is rather the case of excessive powers. There are enough provisions and enough powers available to the Reserve Bank under the Reserve Bank Act and also under the Banking Companies Act for the Government to be able to regulate the banking system.

Now, in a few minutes that I have at my disposal, I will first say a few words about the question of voting rights. It has been provided that the voting rights will be reduced from the maximum of 5 per cent of the share-holding to one per cent of the total voting rights. I do not think it is a step in the right direction. If we weaken those who would be responsible as stake holders in the bank, such a reduction would also lead to consequences which we cannot possibly imagine right now. But it is quite possible that unscrupulous and mischievous share-holders can play havoc and obstruct the smooth and normal functioning of the bank. Usually, this House is supplied with information to enable it to judge the merits of the Bill before the House. In this particular case, one should note that we have not been given enough information on very important points. For instance, we were entitled to be informed about other countries where the voting rights of share-holders of banks have been so drastically restricted and now we are restricting them further from 5 per cent to 1 per cent. I do not know if a reference to this point was made in the speech of the hon. Minister of Finance. But if he did so, I probably did not hear him.

Then the second important point which we have to consider is clause 18 of the Bill. Clause 18 seeks to give powers to the Reserve Bank to remove managerial and other personnel from office. Now, here I would say in support of the proposal that this power really is sufficiently qualified. Before the Reserve Bank can take any action, it has to ensure certain things, for instance, it has to prove that the step taken is going to be in the public interest. It has to prove that the step taken is likely to prevent the affairs of the bank being conducted in a manner detrimental to the interests of the depositors. It has to prove that it will help securing proper management. Finally, there is this important provision that the reasons for the action taken by the Reserve Bank are to be recorded in writing. I think that this is quite an important safeguard.

And yet, it is not that we cannot criticise the Bill on clause 18. For instance, it is a very novel idea that it should be provided in a Bill of this kind that the removal of a director or a managerial person could be made even though nothing has been held against him and nothing has been said that he has contravened any of the provisions of any of the laws on the subject. That is rather a sweeping power to be taken under a Bill of this kind.

We know that banks are institutions which are based on the confidence of the public, and they are credit institutions, and the confidence of the public is their life-breath, and as such, these sweeping powers are rather a constant threat to management.

This Bill, as a result of the amendments proposed by the Finance Minister, has been substantially improved. For instance, the original proviso which said that the removal of the managerial personnel could be carried

[Shri V. B. Gandhi]

out if it is felt that delay in removal will be detrimental to the institution or to the banking system has been deleted, and I think that that is a step in the right direction. We know that a reasonable opportunity of making representation against the proposed order is also provided for in section 36AA(2).

There is another respect in which this Bill has been improved as a result of the amendments proposed by Government, and it is that pending consideration of the representation as aforesaid, the director shall not act as such director, that is to say, there will be some kind of a suspension and the director, of course, will be asked not to take part in the management of the banking company during the interval. I think that that is a good improvement.

**Shri Bhagwat Jha Azad:** I join with Shri M. R. Masani and Shri Morarka in expressing my shuddering views regarding this Bill. They shudder why Government are taking powers from a few individuals for the nation's interest. I shudder how long Government would play with the nation's interest and allow these few individuals to have the power with themselves. I also would like to express my sense of disappointment along with my hon. friend Shri Himatsingka. The only difference is this. His disappointment is that Government are taking so much of powers. My disappointment is that Government are taking too few powers.

It has been now established beyond doubt that the time has come when the banks have to be nationalised. I accept the challenge of Shri M. R. Masani and friends like him. Let Government have a plebiscite or referendum even among the 60 lakhs of depositors. I am not quoting anything new when I say this, but I

would remind the hon. Minister that the organisation to which we belong had at the Jaipur meeting in 1948 accepted the principle that life insurance and banking should be nationalised. Those are the very words. I am quoting from the Jaipur resolution of the Congress adopted in 1948. Since then, fifteen years have passed, and no arguments have been advanced by friends who support otherwise a measure like this, like Shri Morarka and Shri Himatsingka to point out why there should not be nationalisation of banking in this country. Is not the very fact of Shri V. B. Gandhi's reference to the sweeping powers being taken by Government to remove a man without even giving him a charge-sheet or a show-cause-notice enough proof to show that Government also have come to the same conclusion that this institution is now a parasite on the people's money in this country?

We have advanced in this very House arguments to prove how only a small number of persons play with the money of the depositors and are advancing the interests of only a small group of persons. When he gets a licence, he goes to the bank for the loan. The man in the bank sees the licence and says 'Oh, a very good licence'. Then, he finds who the collaborator is. Then he finds that this man by spending only Rs. 5 lakhs will make about five or six times that money. Then, he says 'No, no; I cannot give you the money; there is some reference to be made'. In the meantime, he calls for that collaborator, and tells him 'Are you going to collaborate with this foolish man? Come on, I shall give you a good collaborator, I shall give you collabo-

ration of some other Indian'. After two or three years, when the small man goes round and does not find anybody, the man in the bank calls him 'Well, come on, have Rs. 5 lakhs and sell it'. These few persons controlling the banking institutions are playing havoc with the national economy. It is not I who am saying it. It is the premier organisation of this country which is controlling the Government of this country after Independence, which has accepted this position in its resolution passed at Jaipur. I am not the only man who is saying this, but almost all the Members, barring, of course, a very few who are in an unenviable minority in the party, say that banks should be nationalised.

After all, we are not people who are doctrinaire. It is Shri M. R. Masani who is doctrinaire. He has quoted the instance of so many countries. I have brought this book here with me so that I could also give him food for thought, but he has fled away and he is not present here in the House now. Here is the book by even an economist like Mr. Rostow of that take-off fame, who says that it is a minor tragedy of American economy that the people of America, as well as the people in Europe and other countries are now thinking more and more in terms of having more control by Government in the economic affairs of the country in their own interest. Is it not known to us that even in America 20 per cent of the national income only is being distributed by different spheres of Government, whereas in this country it is hardly 10 per cent? How can those gentlemen who are charging us 'You are a State monopoly, you are a capitalist' and so on oppose this idea of nationalisation? They should realise that monopoly and capitalism are bad things even in the banking industry. Therefore, let him join me in removing this capitalism. Why?

Not for the teeming millions' welfare only. Leave them aside. We have seen the totalitarian system of government. We have also seen the capitalist system of government. We are in independent India under the leadership of our Prime Minister. We have adopted the socialist pattern of society which necessarily means the bringing about of the welfare of the people. If you believe in that principle, it is but necessary that the first step Government should take now is to nationalise the banks.

The provisions of the Bill are just tinkering with the problem. When you are reducing their voting powers from 5 to 1 per cent, when you are asking them about the limitations on directorships, when you are asking them about removing some of them for mismanagement, they are manipulators *par excellence* in inventing new loopholes. They know only one lesson and that is how to manipulate figures. They know how the law can be circumvented, they know how to get out of the clutches of every amending law. Therefore, it is high time that Government straightway come forward with a measure nationalising the banks. That will be in consonance with the principle of socialism, in conformity with public opinion and in accordance with the views of the Congress as expressed in the Jaipur resolution.

The hon. Minister said that by bringing in this measure, concentration of economic power will be dispersed. How? Mere utterance of this statement will not do it. How can it be said that these three or four provisions will do it. It is said that the non-banking institutions are for the first time brought within the purview of the Bill. How will it help further? Are there not sufficient enactments empowering Government to control them already? Have Government been able to do so? The very

[Shri Bhagwat Zha Azad]

fact that there are rules and powers with Government to curb these gentlemen but they have not been able to do so is sufficient proof that this is not going to help, and the only solution is nationalisation.

Friends have said that it should go to a Select Committee. What for? What major principles are involved which have to be discussed and agreed upon? Three or four points have been advanced by Shri Masani about the bankers' functions. The first is the safe custody of the deposits, second is the mobilisation of resources and the third is helping the entrepreneur. But he conveniently forgot the most important purpose—the national interest. How is the money safe in the custody of these people? It is subjected to manipulation by a small number of persons who use it to advance their purpose of concentration of wealth in their hands. We have given figures, profuse figures, in this very House—Shrimati Joshi, Shri Prabhat Kar and myself. We have shown how they are manipulating. I wish I could repeat all that for the knowledge of friends who are talking about etiquette. I had no mill in Sholapur which had to be taken over by Government because of mismanagement. I have exploited none. Therefore, I have not learnt the capitalist etiquette, nor do I want to learn it. The only etiquette I know of is the people's etiquette. That etiquette, that wisdom and that opinion demands that immediately Government should come forward with a provision to nationalise banks. If they do not do that, I think they are not acting in consonance with Party opinion.

**Shri Gauri Shankar Kakkar** (Fatehpur): I rise to support this piece of legislation. But my grouse is that the Government are still hesitating and feeling shy to take specific steps towards nationalisation of banks in order to safeguard the interests of the poorest man in the country.

There are various types of banking in vogue. In rural areas, indigenous banking is still going on. Then there is co-operative banking. There are district banks, co-operative banks and apex banks which advance loans to agriculturists in rural areas. Then there are commercial banks in most of the urban areas where the people residing in those areas are coming forth to deposit whatever they save. I find there has been no attempt towards the betterment of the overwhelming majority actually living in rural areas, where 85 per cent of the population are engaged in agriculture. I would have welcomed measures to actually strengthen the credit banks in the co-operative sector. I am glad that recently there has been share participation by the State. There is participation by the Reserve Bank directly coming forward to advance money to apex banks and ultimately it reaches the co-operative societies at the village level. The only difficulty is that the operations are very very limited and they cover, according to the rural credit survey report, hardly 6-7 per cent of the population in rural areas.

If there had been nationalisation of banks, the actual cultivator and the actual agriculturist would have benefited in that they would have avoided all agencies of exploitation of them. They have to pay a high rate of interest under native banking which is still prevalent. There have been cases where if a particular agriculturist has had to take a petty loan of, say, Rs. 10 or Rs. 25, he has not been able to repay it throughout his whole life and his sons are still debtors to that mahajan or *sowcar* of the rural area.

Coming to the provisions of the Bill, I have heard the speeches of Shri Morarka and others. I cannot understand why Shri Morarka has come forward to take shelter under fundamental rights against this enactment. May I ask him where was that concern for fundamental rights when zamindari was abolished, when

ceilings on land were fixed? I am very sorry to say that none of those persons who are now agitated against deprivation of fundamental rights which they see in this Bill were there to voice their protest at that time. Why was not concern shown for the deprivation of fundamental rights of crores of our population when such legislation was resorted to? The present system of banking undoubtedly gives a sort of encouragement to a handful of persons who are able to go on accumulating wealth everyday. It so happens that there are a handful of capitalists who are able to accumulate wealth and enhance it through banking channels. My hon. friend Mr. Azad says that his Party, the Congress party, has passed as early as 1948 a resolution to nationalise banking and LIC. I am sorry to say that the same organisation to which he belongs attempts sometimes half-hearted measures to eradicate capitalism: even if they enact half-hearted measures, they have never been implemented. I find that this same organisation which stands for socialist pattern of economy gives all sorts of encouragement to a handful of capitalists to accumulate their wealth.

I was happy that there was a breeze in the House between Members sitting on my left. I welcome such breezes on such occasions when attempts to implement socialist pattern of economy are undertaken. Why should there be attempts to safeguard the interests of a handful of people at the cost of an overwhelming majority who are poor and get poorer every day? These are the words of the Prime Minister. He is convinced that after Independence the handful of rich persons are getting richer every day and have accumulated so much of wealth that they were never able to accumulate during the British regime. Who is responsible for that?—The Congress Government and the Prime Minister who gave them a chance to do so.

As I said, these are half-hearted measures. If a *bona fide* case is made out against a bank for mismanagement or *mala fides*, why should not the entire management be taken over by the Reserve Bank? I welcome the measures which enable the removal of directors or manager or the employee of a particular banking institution. I do not agree with Mr. Morarka that the Reserve Bank is the prosecutor and is also the judge. I have confidence in it. Hardly any complaint would come if the matter is left at its hands. Cases of partisanship etc. may arise if things are left at the hands of political parties. I congratulate those who handle the affairs of the Reserve Bank and I can say there need be no apprehension of the sort expressed here. I fail to understand how strengthening of the hands of the Reserve Bank is going towards totalitarianism; it would be in the interest of the agriculturist and the poorest living in this country. If this law has been brought for the purpose of creating the grounds for the nationalisation of banking system in the country, I welcome it and let me say that I hope that the Finance Minister will come forward very soon with a specific method for nationalisation of the entire banking system in this country which would benefit the poor agriculturist and the poorest living in this country. That will mean a true step towards socialist pattern of economy to which Congress stands pledged.

**Shri Kappen** (Muvattupuzha): Sir, even God's powers over men are limited by the free will with which he has endowed men but the power of the Reserve Bank over the economic activities of men is becoming unlimited. The heat that has been created shows that we are not taking a balanced view of this. Without suitable amendments, this Bill will make the Reserve Bank omnipotent and even God in heaven may become jealous of the Reserve Bank. (*Interruptions.*) I am not opposed to nationalisation of banks. If

[Shri Kappa]

you think the time is ripe for it, do it boldly. This is nationalisation by proxy. The Government has been resisting nationalisation of banks for the last so many years.

The Reserve Bank had ample powers even before this Bill, by the enactment of the Companies Act, by the amendment to section 42(b) of the Reserve Bank Act, to control, supervise and direct the entire banking system. In spite of all this what did it do at the time of the Palai Bank crash or the Lakshmi Bank crash? Did they save the thousands of depositors? They lost their money. It is not because the Reserve Bank had no powers. Why did they not use it? There are three important provisions in this Bill: limiting the voting rights of individuals is one such provision. Voting rights were five per cent of the total votes formerly. They want to reduce it to one per cent. Will it achieve the purpose for which it is enacted? The result will be dispersal of shares among friends and relations and if they want they will continue to control. Then, what is the use of this legislation, which is not capable of achieving the object for which it is enacted? That is one thing that I have to say about that provision.

Regarding the second provision about the removal of directors the Reserve Bank is given the power to remove any director, executive or manager of any bank. But under what conditions? We must have a very balanced view of the matter. What are the conditions under which a director or executive can be removed? It is not mentioned in the Bill. If, therefore, anybody says that this is arbitrary, it is no exaggeration. (Interruption). Therefore, they must provide in this section the conditions under which a director can be removed by the Reserve Bank.

Again, the Reserve Bank is given the power to appoint a director, to appoint a manager, to appoint an executive, etc., but who will pay them? The bank has to pay them. Therefore, the Reserve Bank is not prepared to

take the responsibility while it wants the powers. My submission is this there has to be some natural justice. Let us be just to all. Even if you want to hang a man, give him an opportunity to say whatever he has got to say. Give him the right to defend, and then hang him. I have no objection. But that is not provided. Suppose, all financial institutions in the country are controlled as it is provided in the Bill; the credit required by the farmer, the agriculturist, is calculated to be about Rs. 2,200 crores. What percentage of it is now being supplied by the Government and the co-operative sector? Not more than 15 per cent is now supplied to the agriculturists through the co-operative societies and by the Government direct. I ask a question: if all the financial agencies are refused the right to gather the money to help the depositors, where will the agriculturist get credit from? Can he go on with his operation with 15 per cent of the credit needed by him, and what is happening? We complain of agricultural production lagging behind. What is the reason for it? I wish to say that though not the entire amount, a part of the money that we are advancing through the co-operatives does not go in for agricultural production. On the other hand, it goes for other purposes of the agriculturists. If that is restricted, where will the credit for the agriculturists come from? Will there be agricultural production? We must not gloss over facts.

Take the case of Kerala. There are 60,000 small producers of rubber, and this country is wanting in rubber. It is importing rubber. If those producers do not get credit, how are they going to plant? It is necessary that replanting should be done in a most modern way, so that greater and greater production may result. It all needs money. It all needs credit. Who is providing that credit for them? If you just rope all these financing institutions in the country and do not give them the chance to gather the deposits and lend money to the agriculturists, I ask:

where will the agriculturists go to get credit for his cultivation. That will mean agricultural production will be impeded in this country. Therefore, all these matters should be taken into consideration. Take a balanced view of the matter. Let us not advance our pet theories. On the other hand, look at the situation as it is in the country, as we see it today. Take stock of those matters and then speak about the legislation.

I agree with the hon. Member who said that this Bill may be sent to the Select Committee, so that it may have a scrutiny of the Select Committee and necessary amendments may be made. I would like to tell hon. Members that unless adequate provision is made, unless some other agency is found out for giving credit to the poor agriculturists, there is no use. If you entirely stop it, that will be a very dangerous step you will be taking. Therefore, I humbly request the House to consider that matter very seriously and send the Bill to the Select Committee for its consideration. After all, we do not lose anything at all by it. If necessary, make the necessary arrangements.

**Shri Balakrishnan (Koilpatti)** Sir, I support the amending Bill. In doing so, I want to say a few words. Of course the Government is doing all that is possible to safeguard the Banking industry. Shri Kappen said, when the Palai Bank failed, what did the Reserve Bank do. I want to ask him, did not the Reserve Bank come forward to protect the depositors from a further fall in respect of the Palai Bank by introducing or getting together the uneconomic small banks with the big banks? Did not the Government introduce the insurance scheme to protect the small, poor people, against such difficulties?

**Shri Kappen:** The Reserve Bank came in readily to liquidate the bank.

**Shri Balakrishnan:** Whenever the necessity arises, whenever circumstan-

ces arise, the Government comes forward with legislation to protect the depositors. When the Palai Bank failed there was an uproar, and also fear. Almost, people have lost their confidence in the bank so Government took immediate step to amalgamate small banks. Some people say that the commercial banks should be nationalised. If the Government thinks it fit, if the circumstances are such that it is necessary, the Government will not hesitate to bring in all the banks and nationalise them.

The important object of this Bill is to check the commercial banks from indulging in mismanagement. I do not know whether there is a clause here which empowers the Reserve Bank to supervise the co-operative banks. If the co-operative banks do not come under the purview of this Bill, I suggest to the Government to bring a similar law to control the co-operative banks also. I do not say that co-operative banks are bad; they are good, because co-operative banks are managed by the public. Sometimes the local co-operative banks or the taluk banks are involved in too much of politics. Sometimes, unwanted elements are becoming directors. There is faction even among the directors. So, the working of the co-operative banks is not so smooth. Therefore, if this law cannot be applied to the co-operative banks, I request the Government to bring a suitable legislation to control the co-operative banks.

I should like to refer to chit funds. Mention has been made about scheduled banks, non-scheduled banks and other financing institutions which receive deposit from the public, but nothing has been mentioned about the chit funds. Chit fund is a thing which everybody knows. There are some chit funds which are really dishonest. The major portion of the chit funds is just fraud. Wherever the chit funds are promoted, the people who promote them sometimes abscond. So, there should be control over this. In Madras State, it seems that 50 per cent of the total investment is deposited to

[Shri Balakrishnan]

the Government if a man wants to start a chit fund. I do not know if in Delhi such arrangements are there. But the Centre must take steps to control the chit funds also.

15.50 hrs.

[MR. SPEAKER in the Chair]

Then, there are so many different varieties and classifications of banks. This confuses the people. There are scheduled banks, non-scheduled banks, licensed banks, non-licensed banks and so on. Then there are some other institutions receiving deposits from the public. I suggest there should be only one class, so that the people may not be confused. This is like the classification in the railways—first class, second class and third class. The third class is the poor man's class. So, the people may think that the non-licensed banks are poor man's banks. So, the differences should be abolished and there should be only one class.

Something has been said about amalgamation. It is very necessary that all the uneconomic banks are compelled to amalgamate with the big banks, because uneconomic banks are not able to command the confidence of the public. Even though there is compulsory amalgamation, the process is going on very slowly. There may be some administrative trouble. The choice is given to the bank itself. The choice should not be given to the bank. The Government must insist that all the uneconomic banks should be amalgamated with big banks.

Regarding deposit insurance, it is very good for the poor people. But the limit is very low at present, i.e. Rs. 1500. I would request the Government to raise the amount from Rs. 1500 to Rs. 5000, so that even the middle-class people may enjoy the benefit.

Some Hon. Members rose—

Mr. Speaker: For the subsequent two or three discussions on corruption, sugarcane price and on the Delhi Development Bill, there is not enough time. If the Minister is ready to reply....

Shri B. R. Bhagat: I can reply, Sir, but I was told that the general discussion will go on till 4.30 and the reply will be tomorrow.

Mr. Speaker: I would appeal to hon. Members to be as brief as possible. Shri K. C. Sharma.

Shri K. C. Sharma (Sardhana): Sir, the purpose of the Bill is very modest, namely, supervision and management of the monetary and credit systems. For that, the Bill envisages control on non-banking institutions that accept deposits and give loans. There is another provision for having control over credit policies. Thirdly, the Reserve Bank has to have control over the commercial banks. These are the objectives of the Bill.

I do not think Mr. Morarka and Mr. Himatsingka who have to deal with big business will take exception to it. The point has been raised regarding due process of law. As a lawyer you know that due process of law is the translation of *lingam per terra*, the law of the land. Due process of law is in the American Constitution. There ever since 1936, strict controls have been in existence and exercised by the State, when the emergency arises, over the banking system for the development of the country and for creating employment. America was never poor, but there was unemployment, which endangered the security of the State.

Ours is a very difficult position. As I said the other day, having a big name does not help people. Even great principles are no help. It is speedy action that can help. Today the position is that we would not go on for long if the situation remains as it is today. Since last year, the situation has developed that the world outside has taken it for granted that India is likely to be a big prey either to communist domination or to dictatorship, being guided by powers across the sea. There is no use shutting our

eyes to the serious menace that we are facing today. Even on the last occasion we found even from the Congress Party people organising themselves not in a disorderly fashion, but in a well-planned fashion, with a view to bringing a certain situation that might help their objectives. It is not politics alone today. It is the country's future that is at stake. What can save it? Only big push investment can save it. Big push investment means investment in agriculture, in industry, in creating things that the peasant and the worker may buy, so that the exchange of goods may help the people to have a better life.

It is not a question of piecemeal legislation. It is not a question of taking power here and there to control the credit system, to control investment and to bring about some improvement in the industries here and there. But it is a big question mark. Do you or do you not want India to be great and independent? Do you or do you not want to make it powerful enough to defend its freedom? If you stand for it, there is no way out except the big push investment in industry, agriculture, education, medicine and in every sphere of life. For that, you want great savings from the people. You will need full control over the money of the people. You will need full control over the activities and energy of the people. That is the only course open to India today. For that, I would have expected my young friend on the treasury benches to move for the nationalisation of banks. It is imperative. There is no doubt about it; it is a question of life and death. If you want India to be independent, great, powerful and be able to defend itself, to wash the shame of defeat, there is no way out for the people but the big push investment policy and for that nationalisation of banks is necessary to have the fullest control over the savings of the people.

16 hrs.

**Mr. Speaker:** I assure the hon. Member that I want India to be as much and more than what he said.

**Shri Kapur Singh (Ludhiana):** He has gone a little too far in his suggestions.

**Mr. Speaker:** Shri P. R. Patel.

**An Hon. Member:** He is not in his seat.

**Mr. Speaker:** Shri D. C. Sharma.

**An. Hon. Member:** He is also not here.

**Mr. Speaker:** Then, Shri Hem Raj.

श्री हेमराज (कांगड़ा) : अध्यक्ष महोदय, यह जो बिल आज सदन के सामने पेश है, मैं इसका स्वागत करता हूँ। जहाँ तक मैं ने देखा है, हमारी सरकार खास तौर से उस समय कदम उठानी है, जिस समय पानी सिर मे ऊपर निकल जाये। पलाई बैंक के फेल्योर मे पहले बहुत से छोटे छोटे बैंकों का फेल्योर हुआ। उन छोटे छोटे बैंकों के सम्बन्ध में हमारी जो आवाज थी, उसकी किसी ने मुनवाई नहीं की। किसी ने इस तरह ध्यान नहीं दिया कि छोटे छोटे डिपॉजिटर्स का क्या बनने वाला है।

मुझे खास तौर से याद है कि हमारे डिस्ट्रिक्ट में एक बैंक के डायरेक्टर्स ने काफ़ी रुपया हड़प कर लिया—कुछ अपनी मार्फ़त और कुछ अपने रिश्तेदारों की मार्फ़त, जिस से वह बैंक फ़ेल हो गया। जब हमने उस के बारे में आवाज उठाई, तो हमें कहा गया कि इस बारे में रिज़र्व बैंक भी कुछ नहीं कर सकता और सेंट्रल गवर्नमेंट भी कोई दख़ल नहीं दे सकती। इसलिए, जैसा कि माननीय सदस्या, श्रीमती सुभद्रा जोशी, ने कहा है, जो स्माल डिपॉजिटर्स हैं, उन का खास तौर पर ख़याल रखा जाये। मैं समझता हूँ कि

[श्री हेमराज]

रिजर्व बैंक को अपने ऊपर यह जिम्मेदारी ओढ़ लेनी चाहिए कि जिस वक्त इंस्पेक्शन के द्वारा उस को पता लगे कि किसी बैंक का मैनेजमेंट खराब है और वह फेल होने वाला है, तो वह अपने अस्त्यारात के जरिये उस बैंक को अपने कब्जे में ले ले।

इस बिल में इंस्पेक्शन का प्राविजन किया गया है। मैं यह तजवीज रखना चाहता हूँ कि जब इंस्पेक्शन से यह पता लगे कि किसी बैंक की हालत खराब है, तो सरकार को उसे अपने कब्जे में ले लेना चाहिए। रूल एरियाज में जो कान्फिडेंस बहुत ज्यादा घट गया है, ऐसा करने से वह फिर कायम हो जायेगा। रूल एरियाज में अभी तक बैंकिंग नहीं पहुंचा है। अगर कहीं कहीं मामूली कस्बों में पहुंचा भी है, तो वहां पर छोटे छोटे बैंकों के फेल्योर से बहुत ज्यादा हानि पहुंचती है। आज सब से ज्यादा जरूरत इस बात की है कि रूल एरियाज में भी काफ़ी रूपया पहुंचे। यह ठीक है कि को-ऑपरेटिव सोसायटीज काम कर रही हैं, लेकिन हम देखते हैं कि रिजर्व बैंक से जो रूपया ढाई परसेंट के ब्याज पर चलता है, वह वहां पहुंचते पहुंचते मान परसेंट ब्याज पर दिया जाता है। जहां तक मुझे खयाल है, स्टेट बैंक आफ इंडिया की एक हजार से ज्यादा ब्रांचिज नहीं खुली हैं। स्टेट बैंक आफ इंडिया वहां पहुंच नहीं पाता है और को-ऑपरेटिव बैंक में रिजर्व बैंक कम दखल देता है। इसलिए मैं चाहता हूँ कि को-ऑपरेटिव बैंक में सरकार का दखल हो और लोगों के पास रूपया इन्टरेस्ट की कम से कम शरह पर पहुंचे। इस लिहाज से मैं बैंकों के राष्ट्रीयकरण की हिमायत करता हूँ, जिस के बारे में बहुत से माननीय सदस्यों ने कहा है, क्योंकि उन का राष्ट्रीयकरण होने से देहात में भी बैंकिंग का सन्देश पहुंच जायेगा और लोगों को रूपया लेने की सहायता मिल सकेगी।

माननीय सदस्य, श्री बड़े, ने यह आबजे-कशन किया है कि "फिनांशल इंस्टीट्यूशन" की जो डेफिनीशन की गई है, उस से रूल एरियाज के साहूकार सिस्टम पर आघात जगेगा। मैं समझता हूँ कि इस डेफिनीशन से इंडिविडुअल कवर नहीं होता है। इस लिए उन का यह आबजेकशन किसी मूरत में दुरुस्त नहीं है।

इन शब्दों के साथ मैं इस बिल का समर्थन करता हूँ।

**श्रीमती सावित्री निगम :** अध्यक्ष महाादय, श्रीमन्, मैं बैंकिंग लाज (मिस्लेनियम प्राविजन्ज) बिल का हार्दिक समर्थन करती हूँ, . . .

**एक माननीय सदस्य :** माननीय सदस्य प्रप्रेजी में बोलें।

अध्यक्ष महाादय : आप उन को बोलने दीजिए।

**श्रीमती सावित्री निगम :** . . . क्योंकि मेरा यह विश्वास है कि बैंकों के पूर्ण राष्ट्रीयकरण की दिशा में यह पहला प्रभावशाली कदम आज इस एमेंडमेंट बिल के रूप में उठाया जा रहा है।

अनेक माननीय सदस्य इस विषय पर बोल चुके हैं और इस बिल का समर्थन कर चुके हैं। अभी नहीं, अनेक वर्षों से, बराबर इस सदन में, और बाहर देश में भी, देश के सबसे बड़े बड़े अर्थ-शास्त्रियों ने एक स्वर से इस बात की सिफारिश की थी—और वे अब भी करते आ रहे हैं—कि अब वह समय आ गया है जब कि देश के सारे बैंकों का नेशनलाइजेशन जल्दी से जल्दी हो जाना चाहिए। किन्तु यह खेद का विषय है कि अब तक उसकी उपेक्षा की गई है। उसी के कारण स्वतंत्रता के बाद आज तक देश के आर्थिक और सामाजिक विकास के लिए जितनी भी योजनाएँ बनाई गई हैं, जिन का उद्देश्य देश में मोशललिस्टिक पैटर्न आफ

सोसायटी का निर्माण करना था, उन में हमें सफलता नहीं मिली है। जैसा कि मैं ने अभी कहा है, उस का एकमात्र कारण यह है कि हम ने इस महत्वपूर्ण विषय की अभी तक उपेक्षा की है। इस उपेक्षा का परिणाम यह हुआ है कि जितनी अनहोली और अनहेल्दी इकानॉमिक कन्सेन्ट्रेशन इस देश में इन पिछले १७ सालों में हुई है, उतनी शायद कभी और किसी देश में नहीं हुई होगी।

कौन यकीन मानेगा कि इस क्रान्तिकारी युग में भी देश की सारी बँल्य का तीन-चौथाई हिस्सा केवल सात परिवारों के हाथों में सीमित है? कौन यकीन मानेगा कि आज भी ये जो सात कुवेर-पुत्र हैं, जितना भी एक्सपोर्ट इम्पोर्ट का सेंक्टर है, जितना भी इंडस्ट्रीज, उद्योग-धंधों का सेंक्टर है, हर स्थान पर उन्होंने ऐसी मानोपली कर रखी है, जिस में कोई भी न्यूकमर प्रवेश ही नहीं पा सकता। एक बेचारा डालमिया पकड़ा गया है कुछ राजनीतिक कारणों से। लेकिन अनेक डालमिया हैं, जो उस से भी ज्यादा गलतियाँ कर रहे हैं, जो उस से भी ज्यादा इकानॉमिक एक्सप्लायटेशन कर रहे हैं और जो बैठे हुए मौज काट रहे हैं और उन पर अभी तक कोई ध्यान नहीं दिया गया है।

आज आप देख लीजिए कि जब कीमतेँ इस बुरी तरह बढ़ रही हैं और हर एक आदमी और हर एक संसद-सदस्य इस बारे में चिन्तित है, उस वक्त भी फूडप्रेन्ज में, राष्ट्रीय महत्व के पदार्थों में, जो फ़ॉवर्ड कंट्रैक्ट्स होते हैं, जो होर्डिंग होता है, यह किस का किया हुआ है, यह कौन नहीं जानता? बावजूद बहुत कोशिशों के भी इन कुवेर-पुत्रों को, इन लक्ष्मी-पुत्रों को, अपरिमित स्वतंत्रता मिली हुई है, वे अनकंट्रोल्ड फ्रीडम एन्जाय कर रहे हैं।

इस विषय पर आज इस सदन में जो वाद-विवाद हुआ है, उस से मुझे विश्वास हो गया है कि आज युग की पुकार है, जमाने की

मांग है कि बँकों का जल्दी से जल्दी राष्ट्रीयकरण किया जाये। इस सदन में इस विधेयक के विरुद्ध भी कुछ फ़ीवल आवाजें सुनाई पड़ी हैं, जिनमें सिफ़ारिश की गई है कि इस विधेयक को सिलेक्ट कमेटी में भेजा जाये। मैं कहती हूँ कि इन कमजोर आवाजों को पूरी तरह से संतोष दिलाने के लिए इस विधेयक को जरूर सिलेक्ट कमेटी में भेजा जाये। मुझे पूरा यकीन है कि सिलेक्ट कमेटी की सिफ़ारिश भी यही होगी कि इस बिल को और अधिक प्रभावशाली बनाया जाये, इसकी धाराओं को और कसा जाये और इस के अतिरिक्त सिलेक्ट कमेटी की तरफ़ से यह भी सिफ़ारिश होगी कि बँकिंग का जल्दी से जल्दी नेशनलाइजेशन किया जाये—देश-हित के लिए, समाज-हित के लिए, देश में समाजवादी समाज की रचना के लिए जल्दी से जल्दी बँकों का नेशनलाइजेशन किया जाये।

**Shri Sham Lal Saraf:** Sir, I welcome the laudable objectives behind the Bill that is before us. It is to regulate the credit system in the country. But when I examine this Bill with this ideal I am afraid I have to breathe hot and cold at the same time, and I hope the hon. Minister will not mind it.

Firstly, I will not speak in a fashionable manner that simply because we have said that we are committed to socialism the banks should be straight-away nationalised, because it can never be a one-way track. A number of things have to be done first before you reach that stage when the banks can be nationalised. This is not the time to speak in detail about it, but my submission is that I very much welcome the move to regulate the system of credit in the country. The scheduled and non-scheduled banks come in that orbit. What we are doing is really welcome, but there are one or two things which I want to place before the Government. I have a little experience about the rural areas

[Shri Sham Lal Saraf]

and, of course, of the urban areas as well. We very much want an alternate system of credit. Credit is not available in spite of the fact that a number of financial corporations have been set up, a number of industrial finance corporations are there and there are quite a number of banks. But as far as the lower strata of the community is concerned, no credit is available to them. My hon. friend Shri Gauri Shankar mentioned about the rural areas. It is correct that today you may curb, I should say, the undesirable ways of banking systems of individuals, of financiers and of others—it may be all right—but unless and until you provide an alternate system of banking, an alternate system of credit, the entire economy of the country will come to jeopardy. Therefore, I submit and I request some of my friends of the Congress Party also that there is none who would raise a hue and cry when the time will come for nationalisation of banks. This is not the time to think about that and to see that we may not be taken into a trap that ultimately will create a financial chaos in the country.

Sir, banking and finance are the two subjects which are very delicate and have to be dealt with very carefully. I need not sermonise the hon. Minister who is sitting there. I have not been able to speak in some detail on the different aspects and different sections of this Bill. But I would certainly whole-heartedly support this amendment that is before the House today that this Bill be referred to the Select Committee. Let us examine it there and give our mind and then bring it in a much better form. But as far as the idea is concerned, there is none who is against that. There are a number of things there. For instance, today, there are financiers who are advancing finances either as financiers or, what you call, on hire-purchase system where as much as 50 to 60 per cent interest is realised. But, on the contrary people who get that finance are earning much more. I

have asked a number of people who say, "Well, we welcome it because we have no other way of getting credit." Therefore, a number of things have to be done. When we speak of socialism, either we be in a position to socialise all that needs to be socialised or turn into a totalitarian Government. Otherwise, half-way measures always bring us harm and will not help us in any way. Therefore, my submission would be, without taking up any other point at the moment, that steps be taken to regulate the banking system with the individual banker, with the financier, with a small banker, with a small person or a corporation which receives deposits and then also you have to see how you can get the hoarded money out, the black money out and also to stop other nefarious activities in which a number of people are engaged today. Therefore, I request that this entire matter may be thoroughly examined and may be, not in this session, in the coming session a very well-thought-out Bill is brought forward before the House and then the House agrees with it.

With these words, I hope the Government will accept that.

**Shri B. R. Bhagat:** Mr. Speaker, Sir, I am very glad that the hon. Members took such a great and keen interest in this debate. No doubt, this is an important matter, and, therefore, the feelings on this subject are bound to be very much exercised. But I find that the arguments advanced were so contradictory that often times they cancel each other. For example, some of the hon. Members opposite said that the control that the Reserve Bank is having does not go far enough and, therefore, it would be better that banking as a whole should be nationalised. On the other hand, some Members said that the power vested in the Government and the Reserve Bank is so harsh that nationalisation would have been better, that instead of doing this the Government should have nationalised

banks. It is quite natural that on a subject like this, there may be such differences of opinion. But, I think, while making the motion, I said very clearly that the purpose of the Bill is rather positive. There are certain sectors of the banking and financial operations which have got to be controlled and regulated in the national interest. I broadly divided this into three main purposes. Firstly, it is the control and regulation of non-banking deposits and a special provision has been made there. The control is limited only to giving directions about the nature of business that they would undertake and they will have to submit from time to time the returns and other things so that the Reserve Bank, the Central Bank, is in picture as a whole about the extent and the nature of their work and they are able to direct it to the channels which may be conducive to the national interest. So, the control is only limited to this field. Second'y, it is the banking operations, banking companies, where much stricter control is envisaged to the extent of going to remove the directors or managers or other officials—also in appointing directors—where it is found necessary. Thirdly, it is the reducing of voting rights from 5 per cent to one per cent so as to reduce the concentration of power. So, this charge that the Government is hustling or rushing the House in passing this Bill in a hurry is not true because although the amendments sought are of some importance but they are of basic and fundamental importance and there cannot be much change or variation in the Bill. They are not of technical or complicated or legal character. Therefore, to refer a Bill like this to a Select Committee will not achieve any purpose. It can only delay things. It can be delayed over a period of time which, I think would not be in the interest of the country today. The Bill is of a very urgent importance and, therefore, it was thought that a motion like this should

not be referred to a Select Committee. By referring this motion to a Select Committee, I think, they will only achieve this purpose of delaying this purpose for so many months and much harm will be done. I still make this point rather emphatically that this Bill is of a such nature that much would not come out of the Select Committee because the issues are more of basic and fundamental nature. Whether you have the voting right of 5 per cent or reduce it the per cent or not is a matter which the House as well can decide it. Whether the non-banking deposits should be controlled or not is a basic question and whether the Reserve Bank should be clothed with certain basic powers or not are the issues which the Select Committee cannot but the House as a whole can decide and decide with the fullest knowledge and advantage so that there is nothing that the Select Committee can improve upon it. Therefore, I want to refute this charge that the Government is rushing the House unnecessarily in passing this Bill.

Another point was raised that by clothing the Reserve Bank with powers to remove the managers or directors, we are violating the processes of law, the natural justice. Shri Masani and some other friends also tried to labour this point although very conveniently they ignored this fact that we have ourselves tabled an amendment that we are giving the right of appeal to the persons concerned to the Central Government if they are aggrieved by the decision of the Reserve Bank. No Member who made this point raised this although I stated it while making the motion. Even otherwise, the question of natural justice is not involved because the clause itself provides that the Reserve Bank will take this step under certain conditions. The action will be taken only when it is satisfied that the actions and activities of that particular officer whether he be a director or a principal officer or an executive officer or any other employee, are of

[Shri B. R. Bhagat]

such a nature that they are prejudicial to the interest of the banking operations and the nature of the banking operations is such that—the House is aware that repeatedly we have come to this House with that—because certain action was not taken in time, at an appropriate moment, because the Reserve Bank had not the powers or they could not do it, that ultimately a banking institution, the bank, had to go into liquidation or was wound up. Repeated instances can be pointed out. In a banking operation, there can be a point which can be located with certain activities of a principal officer or a particular officer which are prejudicial to the interests of the bank itself. In such conditions only the Reserve Bank will take action. It will follow the procedure prescribed. Notice will be given in writing, and the person concerned can submit a representation, and we have also given the right to him for appeal. By means of an amendment which we are seeking to make, we have provided that in case he has any grievance he can appeal to the Central Government. So, I do not think that the question of violation of natural justice is involved.

Then, a point was made that there was no concentration of power in the banking system. Actually, Shri M. R. Masani tried to paint a picture that a bank was controlled by the small shareholders only, and, therefore, the reduction of their voting right from 5 per cent to 1 per cent was unnecessary. If that be so, then why object to it? If the bank is controlled by the small shareholders, then why object to this reduction of the voting power? So, the two things are absolutely contradictory. My point is that, and my hon. friend probably knows this, there are banks where there is a good deal of concentration of voting rights, and that was the reason why some years ago we reduced that, and we provided that whatever may be the shareholding or controlling power of a particular group or a particular individual, the voting rights should be reduced to five per

cent. That was because in the case of an institution like this we did not want that an individual or a group of persons or a group of businessmen should have disproportionately higher controlling interest. Today, we have come to a situation where unless it is reduced still further, the tendency for concentration will become more and more. Therefore, when my hon. friend admits that banks are under the control of small shareholders, logically it follows that he should not object to the reduction of the voting rights from 5 per cent to 1 per cent. Therefore, I think that that provision also is very much healthy in character.

The third point which has been made is that by our trying to control the non-banking deposits, we shall be controlling a large number of individuals. My hon. friend Shri Bad made this point. I think he is wrong. Here, the individuals are not concerned, but only the companies or firms. For example, a money lender in a village is not subject to control under this Bill.

**Shri Bade:** But a joint family firm will be controlled.

**Shri B. R. Bhagat:** But then, that is not an individual but a firm. A family firm can be a very big firm also.

In view of the fact that there is a large amount of unaccounted money, and further the deposits which are controlled by non-banking operations are growing every year, and also for various other reasons, it is necessary that these have to be controlled in the national interest. As I said in the very beginning, it is necessary that these have to be controlled because they are affecting the deposits of the banking companies; the deposits in the banks are not increasing at the rate at which they should because they are being diverted to these non-banking institutions. That is the rationale behind this control.

Then, I come to the question of clothing the Reserve Bank with such a power as what Shri M. R. Masani calls as police power. I think that when any

power is given to an institution like the Reserve Bank or any other agency, it is quite natural for an hon. Member who has a particular viewpoint or ideology to object to it. But he himself said that the Reserve Bank has a very good record. The House will appreciate that the Reserve Bank has been functioning in an exemplary manner, and it has been the custodian of the credit and financial interest of the country and it has done very good work. Where the Reserve Bank has failed or where it has got inadequate powers is in the matter of preventing a bank from going to disaster or preventing a banking company from functioning in an undesirable manner. For example, powers are being taken now to appoint directors. Why are we doing so? That is because we have found that the observers that were being appointed under the present Act were effective only for a few months; they could discipline the directors of the banking company who were not erstwhile considered to be very desirable in their working, for a few months by their very presence, but after a few months, of course, the observers were only observers and therefore, the board of directors could overrule them. Therefore, we found that it was necessary that there should be directors who could participate and have an effective voice in the management. Unless such powers are taken, the banking operations cannot be controlled from the very beginning. Here, I would submit that the difference between a banking company and any other industrial or commercial company has got to be understood. Banks like the Palai Central Bank or any other bank could have been prevented from going into liquidation, if proper action could have been taken at the right moment. But because certain powers were not there, they could not be prevented from going into liquidation. Repeated instances could be given where because adequate power was not applied at the right time, undesirable banking operations could not be prevented. If adequate powers had been there, such an

eventuality would not have arisen at all.

To speak of nationalisation of banks, as some hon. Members have urged, is, I think, beside the mark, because only during the last session, the House had discussed it and rejected it by 119 votes to 27. All the pros and cons were discussed thoroughly at that time, and the Government's point of view had also been stated broadly that purely from practical and other considerations, it would not be in the national interest to nationalise the banks just now. But Government had given the assurance that they would take steps to eliminate some of the malpractices and other things that had come to light, and see that banking was made to flow on proper national lines. We have fulfilled that assurance and we have come forward with this Bill for taking more powers. Therefore, if certain hon. Members opposite say that we are clothing the Reserve Bank with police powers and making it a monopoly, I think that that may be verbiage or jargon only but I think that it is not a sound analysis of the financial situation.

The concentration of power has got to be prevented at every step, and the Reserve Bank has been given powers for this purpose. I think my hon. friend should appreciate in this connection that the Governor of the Reserve Bank does not act on his own. There is a board consisting of distinguished representatives in whom my hon. friend has faith, and, therefore, the power vested with the Reserve Bank will not be a Statist or monopolist power. I think that it is high time that the Reserve Bank must have such powers for being exercised in the interests of the banking organisations themselves in order to serve a national purpose.

With these words, I commend the Bill for consideration.

**Mr. Speaker:** The question is:

"That the Bill be circulated for the purpose of eliciting opinion

thereon by the 29th February, 1964."

*The motion was negated.*

**Mr. Speaker:** The question is:

"That the Bill be referred to a Select Committee consisting of 15 Members, namely Shri Ramachandra Vithal Bade, Shri Kamalnayan Bajaj, Shri C. R. Basappa, Shri P. C. Boroosh, Shri S. N. Chaturvedi, Shri Sachindra Chaudhuri, Shri Kashi Ram Gupta, Shri Hem Barua, H.H. Maharaja Shri Karni Singhji of Bikaner, Shri T. T. Krishnamachari, Shri Harish Chandra Mathur, Shri R. R. Morarka, Shri Sham Lal Saraf, Shri Prakash Vir Shastri, and Shri Prabhu Dayal Himatsingka with instructions to report by the first day of the next session."

*The motion was negated.*

**Mr. Speaker:** The question is:

"That the Bill further to amend the Reserve Bank of India Act, 1934, the Banking Companies Act, 1949 and the State Bank of India (Subsidiary Banks) Act, 1959, be taken into consideration."

*The motion was adopted.*

**Mr. Speaker:** We shall take up the clause-by-clause consideration tomorrow. Now, we shall take up short notice questions.

16.30 hrs.

### SHORT NOTICE QUESTIONS AND ANSWERS

#### U.S. Rupee Holdings

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{ Shri Kapur Singh:  
Shri Gulshan:

S.N.Q. 5. { Shri Prakashvir Shastri:

{ Shri Nath Pal:  
Shri Yashpal Singh:  
Shri Solanki:

Will the Minister of Finance be pleased to state:

(a) whether it is a fact that U.S. rupee holdings in India, in the form of counterpart funds, now exceed Rs. 15,000 millions, almost one-half of the total money circulating in the country; and

(b) if so, how the Government assess its impact upon the home economy and politics?

**The Minister of Planning (Shri B. R. Bhagat):** (a) and (b). The counterpart rupee funds generated by the sale of agricultural products imported from the U.S.A. under PL 480 amounted to Rs. 822.81 crores on 31st October, 1963.

According to the agreements covering these imports and the rupee accretions, amounts totalling Rs. 175 crores have been reserved for U.S. uses which *inter alia* include:

- (i) the administrative expenditures of the U.S. Embassy in India.
- (ii) loans, with Government of India's concurrence, to business activities in India with U.S. business associations; and
- (iii) agricultural market development activities and agreed educational and research projects.

The balance of the funds which amount to about 80 per cent are deposited with the Reserve Bank of India and remain invested in special Government of India securities carrying a rate of interest of 1½ per cent. The only way in which these funds can go into circulation is when drawn upon in the form of long term loans and grants for developmental projects in India as mutually agreed upon