

Singha, Shri G.K.  
 Sonavane, Shri  
 Soy, Shri H. C.  
 Subbaraman, Shri C.  
 Subramanyam, Shri T.  
 Sumat Prasad, Shri  
 Sunder Lal, Shri  
 Surendra Pal Singh, Shri  
 Swamy, Shri M. P.

Swaran Singh, Shri  
 Thimmaiah, Shri  
 Thomas, Shri A.M.  
 Tiwary, Shri D.N.  
 Tiwary, Shri K.N.  
 Tiwary, Shri R.S.  
 Tula Ram, Shri  
 Upadhyaya, Shri Shiva Dutt  
 Varma, Shri M.L.

Veerabasappa, Shri  
 Verappa, Shri  
 Venkatasubbaiah, Shri P.  
 Verma, Shri Balgovind  
 Verma, Shri K.K.  
 Vidyalkar, Shri A.N.  
 Wadiwa, Shri  
 Yadab, Shri N.P.

**Mr. Speaker:** The result of the division is: Ayes 30; Noes 134.

*The motion was negatived.*

**Mr. Speaker:** Now I will put the main motion to the vote of the House. The question is:

"That the Bill to provide in the economic and financial interests of the community, for the control of the production, supply, distribution, use and possession of and business in, gold and ornaments and other articles of gold and for matters connected therewith, be referred to a Joint Committee of the Houses consisting of 45 members, 30 from this House, namely Shri S. V. Krishnamoorthy Rao, Shri D. Balarama Raju, Shrimati Renuka Devi Barkataki, Shri Bali Ram Bhagat, Shri Laxmi Narayan Bhanja Deo, Shri B. L. Chandak, Shri Tridib Kumar Chaudhuri, Shri Yudhvir Singh Chaudhary, Shri Homi F. Daji, Shri M. M. Haq, Shri Prabhat Kar, Shri P. G. Karuthiruman, Shri Kindar Lal, Shri H. V. Koujalgi, Shrimati Sangam Laxmi Bai, Shri Mathew Maniyangadan, Shri M. R. Masani, Shri Jashvant Mehta, Sardar Gurmukh Singh Musafir, Shri Chhotubhai M. Patel, Shri T. Ram, Shri Shivram Rango Rane, Shri S. C. Samanta, Shri Era Sezhiyan, Shri Sheo Narain, Dr. L. M. Singhvi, Shri Rameshwar Tantia, Shri Balgovind Verma, Shri Bhishma Prasad Yadava, and Shri T. T. Krishnamachari

and 15 from Rajya Sabha;

that in order to constitute a sitting of the Joint Committee the quorum shall be one-third of the total number of members of the Joint Committee;

that the Committee shall make a report to this House by the last day of the first week of the next session;

that in other respects the Rules of Procedure of this House relating to Parliamentary Committees shall apply with such variations and modifications as the Speaker may make; and

that this House recommends to Rajya Sabha that Rajya Sabha do join the said Joint Committee and communicate to this House the names of 15 members to be appointed by Rajya Sabha to the Joint Committee."

*The motion was adopted.*

13.20 hrs.

#### STATE BANK OF INDIA (AMENDMENT) BILL

**The Minister of Finance (Shri T. T. Krishnamachari):** I beg to move:

"That the Bill further to amend the State Bank of India Act, 1955, be taken into consideration."

This Bill is intended to facilitate a reconstitution of the central and local boards of the State Bank of India in the light of our experience in the last nine years, during which, as the House is aware, there has been an uninterrupted increase both in the area and in the range of the bank's activities.

It might be useful if I give a few details of the working of the State Bank and its subsidiaries. At the end of June, 1955, when the Imperial Bank of India was taken over and nationalised, it had about 466 offices and deposits of the order of Rs. 200 crores. The other State-associated banks which have since been taken

over and reconstituted as subsidiaries had about 300 branches as on that day and their deposits amounted to Rs. 75 crores. As against 766 branches and a total deposit of Rs. 275 crores at the end of June, 1955, the State Bank and its subsidiaries have now nearly 1,670 offices and control about Rs. 700 crores of deposits, excluding the PL-480 and the PL-665 funds.

During a period of a little less than nine years, the number of offices has thus increased by nearly a thousand. The deposits have increased by more than Rs. 400 crores. The State-associated sector accounts today for a little more than 30 per cent of the deposits of the entire commercial banking system.

We expect the State Bank or its subsidiaries, notwithstanding the fact that their statutory obligations have already been fulfilled, to open branches in areas in which other commercial banks have not found it necessary or possible to establish them.

The House will perhaps be interested to know that at the end of March, 1962, there were about 1000 towns classified as such according to the census of 1961, at which there was still no office of a scheduled bank or even of a non-scheduled bank or a co-operative bank. Quite a number of these towns still continue to be without normal banking facilities. Among them, I believe, are places which are important commercial centres or at which there are district treasuries or sub-treasuries or currency chests of the Reserve Bank.

We have persuaded the State Bank and its subsidiaries, regardless of the strictly commercial considerations that govern their opening of branches, to open 300 more branches at some of these and other places before the end of 1968.

I have also been discussing informally with the directors of the State Bank that they should have branches

with probably a small staff trying to keep in touch with people in the bigger villages, and to afford them credit facilities, may be, even in competition with co-operative societies, and an experiment in regard to this will be conducted in certain selected areas before long.

As an institution in the public sector, the State Bank is expected, at any place at which there is an office of the bank or one of its subsidiaries, to offer certain basic services to members of the general public including receipt and disbursement of money on behalf of the Central and State Governments, remittance of funds at concessional rates as an agent of the Reserve Bank, advice and assistance to small-scale industrial units and co-operatives, the provision of various facilities (such as the grant of financial accommodation or credit limits, the receipt and safe custody of cash and documents and other articles) to the smaller banks or institutions in the area.

I cannot say that, speaking for myself, I am entirely satisfied with the range or quality of the services which the State Bank has been able to offer to the public. I think that it is not a reflection on the working of the bank but it is a feeling that there is a lot of room to be covered.

The House will appreciate that an organisation which has been growing at a very rapid rate is bound to encounter difficulties. We have recently looked into these difficulties, and while some action is separately being taken by the State Bank, we have arrived at the conclusion that it would be desirable at this stage if we could help the authorities of the bank, by providing for certain fundamental changes in the management of the institution at various levels.

It is obvious, for example that in view of the recent developments, a considerable degree of decentralisation of functions and responsibilities will be advisable. We are thinking

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now of creating a larger number of local head offices. There are at present four such offices at Bombay, Calcutta, Madras and Delhi. The Act itself does not bar the creation of one or two more local head offices, but there is an implied restriction on the establishment of more than six local head offices, as the law now provides only for six representatives of the local areas on the Central Board of the bank.

We are removing this implied restriction. We are providing also in the process for the reconstitution of the Central Board in such a manner that while each local area or board will have a representative on the Central Board, as many local head offices or local boards as may be necessary may in future be constituted.

The powers of the local boards are now greatly restricted. Loans and advances in excess of Rs. 5 lakhs have to be reported to the Central Board or can be granted only with the prior permission of the Central Board, and in regard to appointments and some other important items of business, the local boards are generally not allowed to take any final decision. We are proposing in future that except for certain matters which can be conveniently dealt with only at the central offices, the bank's normal business should be disposed of at the new local head offices. This will help very greatly to eliminate delays, and there will, I think, be an all-round increase in efficiency.

The local boards attached to the local head offices now have four members, consisting of three who are nominated by the Central Government and one representative of the shareholders registered in the local area. In view of the additional responsibilities which are proposed to be entrusted to the local boards, we are providing in this Bill for increasing the number of members from four to eight. We hope that the important non-official residents in the new local

areas will be in a position to offer the benefit of their guidance and advice to the bank as members of the reconstituted local boards.

I do not intend to deal with the other provisions which are of a minor and consequential nature, except to mention that by clause 11 of this Bill, we are extending the term for which they could offer loans to commercial and industrial institutions, from seven to ten years.

I should like to say, however, before I conclude, that the record of the State Bank, as mentioned before, even independently of the statistics which I had quoted at the beginning of my speech, is quite an impressive one.

The bank, while adhering to own banking traditions and principles, has never ceased during these years to recognise the importance of various development programmes. It has played a notable, and perhaps unprecedented, role in popularising banking in hitherto neglected areas. It is assisting industrial development. Nearly three-fourths of the bank's advances are for industrial purposes, and about 30 per cent of the advances are for the promotion of basic industries such as iron and steel, heavy engineering, fertilisers and cement.

In connection with such schemes as purchases of jute for the buffer stock, the purchase and distribution of foodgrains by the State Governments, the bank is rendering valuable assistance. The bank has been striving consistently to promote small-scale and medium-sized enterprises in the industrial sector, though there is much room for further advance in this direction. In several other ways, such as the introduction of travellers' cheques and credit transfers and instalment credit systems, the promotion of defence industries and the grant of facilities to exporters, the State Bank has been a pioneer and has provided an example to other banks to follow.

I have no doubt that with the changes that we are now proposing in this Bill, which will to some extent help in decentralising its functions and in providing for the quicker and more efficient disposal of business, the bank's contribution towards economic development will be much greater and far more effective.

Sir, I move.

Mr. Speaker: Motion moved:

"That the Bill further to amend the State Bank of India Act, 1955, be taken into consideration."

**Shri Hari Vishnu Kamath** (Hoshangabad): How much time has been allotted for this Bill?

Mr. Speaker: One hour.

**Shri Hari Vishnu Kamath**: That means that this Bill will go on till about 2.30 or 2.15 P.M., and at 2.30 P.M., the non-official business will start. Does it mean that the discussion on the motion regarding the reports of the University Grants Commission will be postponed? Or are we sitting tomorrow?

Mr. Speaker: We are not sitting tomorrow.

**Shri Prabhat Kar** (Hooghly): I welcome the provisions of the Bill, which I think is a belated one. In view of the increase in the number of branches, the changes proposed in the Bill should have come earlier.

While welcoming the Bill, I also agree with the Finance Minister that so far as the record of the State Bank of India is concerned, during these nine years, its record has been commendable. The opening of branches in areas where there have been no banking facilities so far is one of the most important things which the State Bank has done.

In this connection, I would like to stress one point which the hon. Minister has stated, namely that the private sector banks have not found

it necessary or possible to open branches in such areas. Rather I would say that so far as private sector banks are concerned they are not interested in the development of banking in this country and that is why they did not open branches in areas which have not yet had the benefit of banking facility. The hon. Finance Minister states that there are about one thousand towns where there is no office of a scheduled bank, nor even a non-scheduled bank. I would like to place before the House that today out of about 1,732 places where we have got banking facilities, in about 1,000 towns there are no banking facilities except those provided by the private sector. This will give a clear indication as to what benefit the common citizen in this country will get if banking is within the public sector. Ours is a vast country where we have got up till now only 5,117 branches all over. In this vast country when we are talking of gold control, when we are talking of investment of idle money, it is essential that banking facilities should be rather expanded. That is possible only if the public sector expands itself. The record of the State Bank of India shows that in the course of nine years, from 466 branches the number has risen to about 1,500 branches. The total for the private sector is about 1,670 branches. Under these circumstances I would again remind him that the working of the State Bank of India has given a clear indication that it is necessary to provide proper banking facilities to the people. It is necessary that banking should be nationalised.

13.30 hrs.

[MR. DEPUTY-SPEAKER in the Chair]

In this connection I have some other things to point out, so far as the working of the State Bank is concerned. Of late the employees have been putting forward the demand for nationalisation of banking. Some view was put around the country that the working of the State Bank and the services of the State Bank are not

[Shri Prabhat Kar]

upto the mark. I would just wish the Finance Minister to take into account the difficulties the clientele are experiencing because of the procedure followed by the State Bank of India and which, I hope, may, to some extent, be minimised by this new addition of some more local head offices. Even then the procedure should be so liberalised that the client may not find it difficult to encash or to get services from the State Bank of India.

In this connection also I have to point out that so far advances to the small traders and industries are concerned, the State Bank of India has not come up to the mark. It is expected that in view of the opening of the branches in small towns and rural and semi-rural areas small traders and small industries will be helped. To that extent the State Bank of India has not been able to fulfil its obligations. I would request that in this matter the Finance Minister should see that the State Bank functions properly particularly to help small traders and industries in this area. Otherwise, the opening of new branches will not serve any purpose. Therefore, these branches should play a very effective role in developing the industry and commerce in the local area which is part of the obligation of the State Bank of India. I would request that this may be taken into consideration.

So far the increase of local boards is concerned, it is necessary in view of the fact that more power has been given to these boards. In this connection, I want one particular point to be placed before the House for the consideration of the Finance Minister.

Today we have the State Bank of India and also the State subsidiary banks. The overall management is controlled by the State Bank of India. The Board of Directors of the State subsidiary banks and the State Bank of India are common and perhaps the more important office-bearers like the

Chairman, Deputy Chairman and the Managing Director of the State Bank of India are also the members of the subsidiary banks. The policies followed in the State subsidiary banks are the same as followed in the State Bank of India. Under the circumstances the propriety of continuing one as the State Bank of India and another as State subsidiary bank may be considered. There are places where the branches of the State Bank of India are competing with the State subsidiary banks. With the same policy being pursued, these two are competing with each other. Earlier we had suggested that the State subsidiary banks should be merged with the State Bank of India because we thought there was no need to continue these subsidiary banks as they are also following the same policy. But now I feel that in view of the particular names attached to these State subsidiary banks they have an influential role to play. For instance, in the State of Hyderabad the State Bank of Hyderabad is more popular than the State Bank of India there. By State Bank it is meant State Bank of Hyderabad, in Hyderabad; so also the State Bank of Mysore in Mysore, and the State Bank of Travancore in Travancore where State subsidiary banks are considered to be more important and therefore they have a more effective role to play. In these areas the branches of the State Bank of India should be merged with the State subsidiary banks and there the public sector should function as the State Bank of Hyderabad or State Bank of Mysore, or State Bank of Saurashtra or State Bank of Travancore.

Today when we are talking of increasing the number of local head-offices we are thinking in terms of decentralisation. The overall control will be by the Central Board. If the branches of the State Bank are merged with the State subsidiary banks because of their importance derived from their names attached to them

even then the State Bank of India will be able to control them. Central control by the Central Board will be helpful. For that reason, I would like the hon. Finance Minister to consider this aspect. Regarding increasing the number of local head-offices, it has become unwieldy today. At the time of the Imperial Bank of India there were what were called circles—Bengal circle, Bombay circle and Madras circle. Now there are 3 or 4 circles. Bengal circle composes of at least six different States. In the same way Bombay circle has 4 different States and Madras has another four. It is necessary that in every State there should be one local head office. Apart from that, in those areas where subsidiaries are more predominant than the State Bank, the branches of the State Bank of India should be merged with the subsidiaries. This is a suggestion which is slightly different from the one we had made earlier. So far as the present amendment is concerned, it is welcome. I hope the hon. Finance Minister will give thought to the points that have been suggested so that another amendment may be made in order that a completely integrated State sector in the banking industry can be developed.

श्री रघुनाथ सिंह (वाराणसी) : श्री प्रभात कार ने एक प्रश्न उठाया है कि बैंकों का राष्ट्रीयकरण होना चाहिये। इस प्रश्न पर जब हम विचार करते हैं तो दो बातें हमें सोचनी चाहियें। भारतवर्ष में मिक्स्ड इकोनोमी के आधार पर काम हो रहा है। भारतवर्ष में प्राइवेट सेक्टर है और पब्लिक सेक्टर भी है। बैंकिंग का जहाँ तक ताल्लुक है ७५ परसेंट के करीब बैंकिंग ट्रांज़िक्शन्स प्राइवेट सेक्टर द्वारा होते हैं और ये सात ग्रुप्स के हाथ में हैं। सिर्फ हिन्दुस्तान में पांच बड़े बड़े बैंक प्राइवेट सेक्टर में हैं, जैसे पंजाब नैशनल बैंक, सेंट्रल बैंक, बैंक आफ इंडिया, यूनाइटेड कामर्शियल बैंक और बैंक आफ बड़ोदा। यह पांच मुख्य बैंक हैं जिन के द्वारा अधिकातर ट्रैन्ज़ैक्शन होता है। लेकिन अगर हम को

हिन्दुस्तान में प्राइवेट सेक्टर को रखना है तो हम को प्राइवेट बैंक भी रखने होंगे क्योंकि अगर हम प्राइवेट सेक्टर रखते हैं तो प्राइवेट सेक्टर के लिये यह निहायत जरूरी है कि उस के हाथ में उस का बैंक भी हो। इस का कारण यह है कि आज कल की जो एकानमी है वह बिना बैंक के चल ही नहीं सकती।

अगर आप देखें तो स्टेट बैंक के होते हुए भी आज हिन्दुस्तान में जो बैंकिंग ट्रैन्ज़ैक्शन ज्यादातर होता है वह प्राइवेट बैंकों में होता है। क्यों प्राइवेट में ज्यादा होता है। इस लिये कि वहाँ उन को ज्यादा सुविधा प्राप्त होती है। मैं आप को एक उदाहरण दूँ। मान लीजिये कि आज आप को रुपयों की जरूरत हो गई और बैंक बन्द हो रहे हैं। पौने चार बजे हैं, आप को स्टेट बैंक रुपया नहीं देगा। क्यों नहीं देगा। क्योंकि वह आफिशियल बैंक है। चाहे उस में घाटा हो या मुनाफा हो, इस से उन को कोई मतलब नहीं। लेकिन प्राइवेट बैंक यह बात सोचता है कि उसे मुनाफा भी होना चाहिये। इस लिये वह आप को ज्यादा से ज्यादा सहूलियत जो दे सकता है देता है। उस को तो व्यापार करना है, उसे अपना फायदा करना है। स्टेट बैंक से इस बात का सम्बन्ध नहीं है कि उसे फायदा होता है या घाटा होता है, स्टेट बैंक के आफिशियल की जेब से पैसा जाने वाला नहीं है लेकिन अगर प्राइवेट बैंक को घाटा हो तो जो प्राइवेट सेक्टर में लगे हुए लोग हैं उन की जेब से पैसा जाता है। प्राइवेट सेक्टर और पब्लिक सेक्टर में यही सब से बड़ा अन्तर है। प्राइवेट सेक्टर में इनीशिएटिव होता है, साथ ही साथ बैंक के प्रति एक स्नेह की भावना होती है, इस के साथ ही यह भी भावना होती है कि वह ज्यादा से ज्यादा फायदा इस का उठा सके।

अतएव मैं कहना चाहता हूँ कि जब तक हम प्राइवेट सेक्टर के सिद्धान्त को स्वीकार करते हैं, जब तक हम मिक्स्ड एकानमी के सिद्धान्त को स्वीकार करते हैं, तब तक हम को

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यह भी स्वीकार करना होगा कि प्राइवेट सेक्टर में प्राइवेट बैंक रखें ।

दूसरी बात मुझे यह कहनी है कि हिन्दुस्तान में एक्सचेन्ज बैंक है, कोओपरेटिव बैंक है, कामर्शियल बैंक है, बहुत से बैंक हैं। सन् १९३० में बैंकिंग एन्क्वायरी कमेटी बैठी थी जिस को बैठे आज ३४ वर्ष हो गये। हिन्दुस्तान को आजाद-हुए भी करीब सोलह वर्ष हो गये। जो अवस्था सन् १९३० के पहले हमारी थी, जो हमारी एकानमी सन् १९३० में थी, आज वह एकानमी हमारी नहीं है। उस में बहूत परिवर्तन हो गया है। इस लिये मैं फाइनेन्स मिनिस्टर साहब से यह निवेदन करना चाहता हूँ कि बैंकिंग एन्क्वायरी कमिशन बनाया जाये क्योंकि ३४ वर्षों का समय बीत चुका है। हम को नये ढंग से सोचना है कि हिन्दुस्तान की एकानमी किस तरह से नये ढंग से चलेगी। जो बैंकिंग एन्क्वायरी कमिशन हो उस के जिम्मे यह काम देना चाहिये कि वह देखे कि बैंकों का राष्ट्रीयकरण होना चाहिये या नहीं, और अगर होना चाहिये तो उस का क्या रूप हो सकता है।

इन दो सुझावों के साथ मैं कहना चाहता हूँ कि जब कि हिन्दुस्तान में प्राइवेट सेक्टर और पब्लिक सेक्टर दोनों हैं, जब तक हमारे यहां मिक्स्ड एकानमी है, तब तक प्राइवेट सेक्टर में बैंक भी होने चाहियें। अगर हिन्दुस्तान में स्टेट बैंक होगा तो भी बैंक काम ठीक से चल नहीं सकता है। जब तक कम्पटीशन नहीं होगा, जब तक आपस में स्पर्धा नहीं होगी तब तक कोई काम देश का चल नहीं सकता। मान लीजिये कि आज चार दूकानें हैं। अगर एक ही दूकान होती और उस का चलाने वाला अगर आप को १ रु० सेर कोई चीज देता तो भी आप को लेना पड़ता क्योंकि और कोई दूकान ही नहीं है, लेकिन अगर तीन या चार दूकानें होंगी तो फिर कम्पटीशन होगा और हम जहां चाहें अपना सामान खरीद सकते हैं।

इसी प्रकार अगर प्राइवेट सेक्टर और पब्लिक सेक्टर दोनों ही में बैंक होंगे तो हम को जिस में ज्यादा से ज्यादा सहूलियत मिलेगी, ज्यादा से ज्यादा आराम मिलेगा, खामखाह उस बैंक में जायेंगे।

अन्त में मैं यही कहना चाहता हूँ कि बैंकिंग इन्क्वायरी कमिशन बनाने के लिये यह सब से उपयुक्त समय है क्योंकि ३४ वर्षों के अन्दर हिन्दुस्तान की आर्थिक स्थिति में परिवर्तन हो चुका है। हम को बैंकिंग पर नये सिरे से विचार करना चाहिये और देखना चाहिये कि भारतवर्ष के उत्थान के लिये, भारत की आर्थिक स्वतन्त्रता के लिये क्या उपाय बैंकों के द्वारा हो सकता है।

**Shri V. B. Gandhi (Bombay Central South):** I wholeheartedly support this Bill except in one respect, and that is in respect of Clause 13 of the Bill.

We here have before us a story of great achievement and progress, and we ought to help this Bank with the provisions of the Bill that the Bank has asked for. We ought to help it to create a larger number of local head offices, we ought to help it to bring about changes in the composition of the local boards and also of the Central Board, we ought to help it in making it possible to invest the local boards with additional powers, so that they can act more efficiently and expeditiously.

Clause 13 is about the Auditors' Report that the State Bank of India is supposed to submit to the Central Government. The amendment in the Bill seeks to substitute words "true and correct view" by the words "true and fair view". In order to understand the significance of the change desired, I think I had better read out the actual text of the kind of report that is usually sent by the Auditors to the Government. I am reading from the Auditors' Report of

the State Bank for the period ending 31st December, 1962. It is a report to the Government upon the Balance Sheet and Accounts of the Bank as at 31st December, 1962 and this is the text of the report:

"We have examined the above Balance Sheet and the Profit and Loss Account and report that in our opinion the Balance Sheet is a full and fair one containing all the necessary particulars and properly drawn up so as to exhibit a true and correct view of the affairs of the Bank."

These are the words: "true and correct view of the affairs of the Bank". The Bill seeks to change these words "true and correct view" to "true and fair view". I think we ought to consider this rather carefully before we agree to such a change. After all, the State Bank is a Government institution and the Government should not be the first to ask for any leniency or any watering down of the requirements about strict auditing report.

We should not forget that the State Bank is a banking institution, a credit institution and its reputation should be the breach of its life. I should think that in such matters the banks, like Caesar's wife, should be above suspicion. I do not know whether anywhere in other countries this very customary—I suppose it is customary—form of the auditors' report is changed in the manner that it is sought in this Bill. I should like to be informed on that point. I still feel that the State Bank, which is a Government institution, should not be the first to ask for any leniency.

**Shri Gauri Shankar Kakkar** (Fatehpur): Mr. Deputy Speaker, Sir, as a matter of fact, the controversy about the nationalisation of banks which has arisen recently has nothing to do with the present Amendment which is before the House.

One thing is quite clear with regard to the working of the State

Bank. In rural areas and in tehsil headquarters the branches of the State Bank have now been opened. But the working of these branches is still not so popular with the village folk. They have no easy accessibility and they have no facility for having transactions with the State Bank. It has become very clear especially with the growth of Co-operative Credit Banks, which are non-scheduled banks, mostly in rural areas. These Banks are linked with other credit institutions and as a matter of fact they are giving a lot of facilities to the people living in rural areas, where they have got large-sized co-operative banks and then there is the District Co-operative Bank also. These are the institutions which are giving the banking knowledge to the people living in rural areas. They are giving the maximum facility for banking transactions in the rural areas. As a matter of fact, they are the pioneers in this respect that they are giving lessons on banking to the rural people. I agree with my hon. friend, Shri Raghunath Singh that it is high time that a sort of Commission is set up to go into the working of various banks in the country.

Sir, I find that in the case of the State Bank, the employees and the agents who are at the helm of affairs are all the time of the view that they are the least concerned with the profit or the loss of the bank. I can say with figures at my command that the branches which have been opened in different parts of the country are running on huge loss, because the people at the top have nothing to bother; they have the funds at the Centre which is meeting the losses. Why are they running on losses? The first reason is facilities are not given to ordinary depositors. Secondly, I have noticed a lot of difficulty in the encashment of cheques. Thirdly, strict measures are adopted in the case of identification, especially of the poor villager who happens to go to the bank. With the coming up of blocks, even the petty amount of Rs. 40 or

[Shri Gauri Shankar Kakkar]

Rs.50 is paid through a cheque to be encashed in the State Bank. The villager has to go to a lawyer or approach some other depositor. Sometimes, one depositor is not sufficient for the purpose of identification; two identifications are required. This creates a lot of harassment and inconvenience to the villagers.

In addition to this banking function, these branches are not coming forward to finance the small-scale industries. I have seen that their procedure is so complicated that it is very difficult for any small-scale industry concerned to comply with the conditions prescribed with the result that they go to other credit institutions.

My suggestions, in the end, are that there should be an attempt to popularise the State Bank and that the branches in the rural areas should be linked with other credit institutions. What is the necessity of opening a branch of the State Bank in the rural area, especially when the co-operative banks though they are non-scheduled are actually meeting the needs of the rural areas and are also giving more facilities? There is no risk now for the co-operative bank at the district level or at the tehsil level. There is participation from the State and also there is a regular audit; there is also regular scrutiny by the Reserve Bank of the India every year. There is no risk in supporting these co-operative banks especially when there are huge depositors coming from the rural areas. It is high time for the Government to think in terms of nationalisation of the banks. It is not merely the number of Directors who are running the bank; it is the number of depositors who really count in the running of the bank. In their interest, this is the proper time to come forward with nationalisation of the banks in the country.

**Shri Joachim Alva (Kanara):** Sir, I beg to support this measure moved by the hon. Finance Minister, about whom our beloved late Prime Minister

is once reported to have said as one of his ablest Finance Ministers. But I do not want to rely merely on his ability, though we respect the opinion of the great Prime Minister that he was been one the ablest Finance Ministers. However, I would like him to humanise the banking system in our country. The banking system has to be humanised, if it has to meet the needs of the poorest man in our villages. This is not achieved by appointing more Directors, who are *bada sahibs* and who continue to work in the tradition of the banking system started by the British. Our banks are not at all liberal like American Banks. The American Banks are well-advertised and any ordinary man can go to a bank and get his cheque cashed without any difficulty I have seen this in New York. But we are still under the British system of banking, administered by *bada sahibs*, especially when the Indians have not yet substantially reached the highest jobs in any foreign bank in India. So, it is very necessary that our banking system should be humanised.

14 hrs.

In 1954 we had 9,670 million rupees deposits of various types in India. In 1961 we reached the figure of 19,508 million rupees total deposits of all types. All the banks in the private sector, for which my hon. friend, Shri Rabhunath Singh, held brief, are making fabulous profits. While the deposits have increased, what about the employees? They have no quarters to live. I must pay my tribute to Shri C. D. Deshmukh for starting the system of building decent quarters for the staff when he was the Governor of the Reserve Bank of India. Today, if you go near the Byculla Club in Bombay once owned by Europeans, wherein no Indians or dog were allowed, you will see that place full of quarters for the Reserve Bank employees. That is a model for all banks how to have living quarters for all employees of all banks.

private or public. That is woefully neglected. It is no use merely passing from one side to the other or the directors to be changed or the managers to be changed or have a number of branches unless we humanise our banking system. At present it has no soul. I am an M.P. from Karwar where in a small bank I had an account to be utilised during my tours there. I issued a cheque for Rs. 150 in favour of a boat building co-operative society but it was returned. Then I thought that I had no money there at all. I found that I had Rs.110; my cheque was returned for want of Rs.40. I went and closed my account there and started it at the State Bank branch. If that is how they treat an M.P. you can imagine how they will treat the poor and illiterate people of our country. These private bankers have made enormous money. The promoters of this particular bank charge premiums for admission in medical and other colleges. I say that we must put down ruthlessly bankers who are treading in the other peoples' business. I have got a lot of experience of British and American and Indian bankers in our own land. I had an account in the National Bank of India long time back when I was a flourishing publisher and when it did not honour a check issued on the Reserve Bank of India, my salary cheque, when it automatically did not give me the money for it, I closed down my account. But I must pay a tribute to the then British manager, Mr. Moore. He rang me up and asked me why I closed the account. The Bank wrote several times enquiring as to why I closed the account; but I sent no reply. These may appear to be small things. But unless banks are humanised they serve no useful purpose. Banks are not meant only for rich men and newspaper lords so that they may give money to them to run newspapers. My paper the *Forum* was carrying on a vigorous fight against the British in the Quit India movement and it would have kept going on if at a particular moment at

could have got an overdraft of about Rs. 20,000 from my bank. The great weekly collapsed for want of timely assistance. Banks are meant for helping everybody including newspapers and the poorest villager. But the poor villager is asked to produce three types of guarantee in order to get a loan on his paddy. All these rigours must go. Unless the State Bank of India is going to humanise the machinery, it is not going to be of much use.

I shall close in a few minutes, Sir. Unless we humanise the banking system and unless we provide housing for the employees, small traders and poor people, we cannot build a social welfare State. I want the Finance Minister to do this. He is a very able man who can handle the finance as a magician handles the strings with his fingers. Most of them officers sitting there in these banks have no human values. If they do not have any human values, if they do not care for others' sons and daughters but just take care of themselves, what is the good of a bank in the public sector or private sector? The LIC gives loans at 7.5 per cent to build houses. Who can build houses at this rate of interest? The Government and the LIC are doing precious little about housing in the villages, towns and large cities. Unless Government comes forward and gives every facility to people to build houses, it is no use saying that housing has high priority. The LIC is doing precious little for this. The top officers are getting the best amenities for themselves and they say to each other you help me and I help you. I went to Nairobi and I found the largest building there was owned by the LIC. I wrote a note to the local Manager there about some imperfection in the front of the building; I have not got a reply from him. If he does not care for an M.P. will he care for any other ordinary person? I want the Finance Minister whom the late Prime Minister referred to as one of his

[Shri Joachim Alva]

ablest Finance Ministers to humanise the system. It is no use increasing the number of branches if these branches are to be staffed by soulless men, men who know no human values, if the banks have only to amass fabulous fortunes. I am finishing, Sir, There should be facilities for needy people to take out easy loans, for such poor people who come from the villages, and towns. I hope the Finance Minister will be here for a long time more and he will see that this system is humanised and our banking system becomes something to be proud of by everybody, by sustaining the goodwill of all people.

**Shri Warrior (Trichur):** Sir, I have got one or two observations to make. There are three processes now going on in respect of banking; liquidation of banks, for instance, Palai and other banks which have collapsed; the other is the amalgamation of the smaller banks into bigger units and the third is taking over of the small banks by the State Bank of India and its subsidiaries. Why should the smaller banks come together and become big banks so that they can operate in the private sector? Why cannot the State Bank or its subsidiaries of the State Bank take them over, all those banking concerns which did not stand on their own legs? Even bigger units may find in time that they could not stand on their own legs. Why not take them over—not all of a sudden—but by a gradual process so that the banking industry is on the whole put on a rational basis and inspires confidence in the public. For instance, the Travancore Bank has taken over several banks. There are certain inherent difficulties in the amalgamation process. The employees are there. Some of the employees want, all of a sudden, to get promotions over and above the service of already employed people. That cannot be done. But there could be some process of integrating them without creating any heart burning. That was done when the States were integrated

formerly. The present cadre will be off after some time and a new cadre will be coming but it will be the cadre of the State Bank itself or of its subsidiaries. It is only a question of transitional period. The main thing is that there should not be any tying up of the credit channels especially in the small towns and villages but that is what is actually happening. Big banks are becoming bigger and bigger by swallowing smaller units and they are concentrating—the Finance Minister also said exactly the same thing—in the bigger, industrial and urban areas whereas the smaller banks which had been operating in the rural and semi urban areas are now being liquidated or taken over. If by taking over, the number of branches are minimised or reduced, then the ordinary credit channels which had been operating all these years are dried up. There is great necessity for rural credit. Rural and semi urban areas also should prosper. The small banks operating in these areas should be taken over by a gradual process by the State Bank so that there may not be any room for the other banks to come in the way of operating in rural parts. I do not know how the mixed economy is coming in the way of bank nationalisation. Mr. Raghunath Singh said so. Even capitalist economies have nationalised banking. France has nationalised banks; Italy has done it. In an economy which claims to achieve socialism, the first thing to be nationalised is the banking industry. That is the first essential condition for building up a socialist society.

I hope the suggestions I have put forward would be considered by the hon. Minister.

**Shri T. T. Krishnamachari:** Sir, I am most grateful for the general welcome that the objective of this Bill has received in the hands of hon. Members. That is as it should be. I have not got much time to reply in

detail to the various criticisms which have been made, which are wide and sometimes outside the scope of this particular measure. Mr. Kar has been speaking about integration of the subsidiary banks with the State Bank. There are two ways of doing this. One is to allow the subsidiary banks to grow themselves. Another thing is to integrate them. Both of them present certain difficulties. At the present moment, it is our intention to keep the subsidiary banks on their own and try to develop them.

The point mentioned by Mr. Warior, namely, the question of amalgamation of smaller banks with the State Bank might be tried even with the subsidiary banks. I can tell him from my experience that in many cases when there is a prospect of amalgamation, the Reserve Bank refers the matter initially to the State Bank or to its subsidiary banks. But when the State Bank considers the amalgamation not suitable or profitable or even wise, then an invitation is issued to the other banks. The main consideration so far as the Reserve Bank is concerned is that the depositors' interests should not suffer. In fact, if a bank goes into liquidation, oftentimes, a bank which can pay a rupee for a rupee pays only 10 annas for a rupee. I have had certain cases examined recently, where probably if the amalgamation had been effected 7 or 8 months earlier, the depositors would have been benefited. That is the main criterion. If the State Bank which has an autonomous character, does not want to enter into a deal, we leave it to the other banks to go into it, failing which, the bank goes into liquidation, with a lot of suffering to the people who are poor.

Therefore, this matter is being constantly examined, whether it would suit an area to have a subsidiary bank functioning or it should be integrated. The position would certainly become more important later on, as we open a number of circles. Often-

times circles which may cover a particular State may also be coterminous with the area of operation of a particular subsidiary bank. In fact, I have been told by many people that they get better facilities from the subsidiary bank than even from the State Bank.

The fact mentioned by Mr. Alva is certainly pertinent to this issue, viz., the question of humanising our public sector institutions. With all the cakumny that we heap at the head of the Government officials, I must say that in my experience, the younger official who comes into the Government, the new IAS officer and the other new people whom we recruit, have a sense of oneness with the people. Our public sector institutions have not yet developed it. It is unfortunate that it is so. I think the IAS at least has some tradition and it carries on. 80 per cent of the boys coming into the IAS, etc. are very good. We can inculcate the same spirit in the officers of the various public sector institutions. I have no doubt that the procedure in regard to issuing a cheque or in getting a small overdraft in the State Bank is still cumbersome. I do not mind confessing that my account is not very big, but at the same time, I prefer to keep it in a private bank, because I can cash my cheque quickly. If it is the State Bank, unless I go myself and I am recognised, it cannot be done so quickly.

**Shri Warior:** Is it not a reflection on the working of the State Bank?

**Shri T. T. Krishnamachari:** True. But there is a certain amount of red-tape which should be removed. The present board are trying to see that the new officers that are coming are better stuff. As I mentioned earlier, the State Bank officers must get their training in the villages. We can even start a one-man bank where these officers getting Rs. 400 or Rs. 500 are

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going to work for two years, rub shoulders with the people and then they will get the same spirit as the IAS officers who work in the villages and with the people. It is very necessary and therefore, I value that remark made by hon. Members very much. I think that also applies to some extent to what Mr. Raghunath Singh said.

I agree with Mr. Warrior that in this question of amalgamation, we should be very careful to see that the sources of credit available to the people do not get dried up. That depends largely upon the state of the bank itself. If the bank is bad and the depositors are losing money, there is no other way. That is the main factor i.e. safety of the depositors' money rather than the services one has to render. That is why I said we should always keep the State Bank and its subsidiary banks. Naturally the subsidiary banks will grow and as they gain experience, they should have a much bigger coverage, so that the service facilities which are available, even if the small banks disappear, should be maintained.

Then I come to the amendment of Mr. Gandhi. The amendment in clause 13 which alters the word "correct" into "fair". This follows the amendment of section 227 (2) of the Companies Act where the original word "correct" has been changed into "fair". The reason is that it has been found that it is creating practical difficulties for the auditors and therefore the word has been changed in the Companies Act. The Banking Companies Act and the other Acts connected with banks also follow the same pattern. That is why this change has been made because of practical difficulties. It is not something new. It is merely bringing in in the legislation covering all companies and banking companies under one particular pattern. Therefore, I am unable to accept Mr. Gandhi's

amendment. I hope he will forgive me.

Lastly, I realise that the State Bank and the new board will have to be popularised. They will have to have a better popular representation. We are attempting to see that it is broad-based. I think the new boards that we are going to have which may start with 7 or 8 members but may have later on 12 members, would have a much wider coverage of people who are interested in the public. Even the depositor, the man who uses the bank, could probably be on the board, so that the attitude of the bank would be more human than what is supposed to be now, as my friend, Mr. Alva mentioned. It takes time, but it is one fact that we have to recognise.

The hon. Member referred to nationalisation of banks as the first step in nationalising the entire gamut of private enterprises. I hold the other way; I hold it is the last thing. French and Italian examples are of different kinds. They have not been nationalised for nationalisation's sake, but for other considerations. All Italian public enterprises have come into being as salvage operators rather than as something which had to be nationalised. French banks had been nationalised, because nobody knows which are the banks which are nationalised. They are run in the same way as banks and not as official institutions. My trouble is this. It is all right, we have trouble with labour. Somebody asked about the costs in regard to our exports. The costs go up merely because our productivity is not going up *pari passu* with the increased wages. I am afraid the higher echelons in the services of public sector institutions are not responding even to the extent that labour is repending. Unless there is orientation in the higher echelons in the public sector enterprises, that they are public servants in the same way as IAS, IPS or IT officers are, I do not think these public sector enterprises can really succeed.

But it will take some time for them to get that idea. There is no point in somebody protesting and saying the Minister says we are not doing very well, so we will go slow. Of course, if they go slow we know what to do with them. The higher echelons will not get the treatment the people lower down get. They will get a lot of consideration. If the man above wants to go slow, the law will take its own course. But these are the difficulties in the way of any quickening of the public sector which we have to reckon with.

Therefore, I assure the hon. Members that to the extent that it is possible for them to carry these public enterprises, either directly or through the Reserve Bank, they will do so. But it is the spirit that has to move the country today, namely, that all these enterprises are there to serve the public and not to serve their own use. Hon. Members referred about housing of the employees in these sectors. But how many people in this country are without roof? We have to consider them first. —As a matter of fact, if we isolate these factors and encourage them, then the bank will only be for the bank servants and the Government will be for the Government servant and ultimately Government will be only for Ministers. If the Government exists for Ministers or Government exists for the Government servants and banks exist for their superior servants, then there is no question of public sector. We have really to reorient our ideas in these matters. I think public opinion will do a lot of good that way. Some hon. Members said in the same voice: humanise the banking system, make the officers more responsive and, at the same time, provide them far more facilities than people down below get. But the two things cannot go together.

Anyway, we will be able to render a better account of ourselves in the coming years than we have done hitherto in regard to these main key public sector enterprises.

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

“That the Bill further to amend the State Bank of India Act, 1955, be taken into consideration.”

*The motion was adopted.*

**Mr. Deputy-Speaker:** We will take up clause by clause consideration. The question is:

“That clauses 2 and 3 stand part of the Bill”.

*The motion was adopted.*

*Clauses 2 and 3 were added to the Bill.*

**Clause 4.—** (Amendment of section 20).

*Amendment made*

Page 3, line 7,—

for “1963” substitute “1964”  
(3)

(Shri T. T. Krishnamachari)

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

“That clause 4, as amended, stand part of the Bill”.

*The motion was adopted.*

*Clause 4, as amended, was added to the Bill.*

**Clause 5.—** (Substitution of new section for section 21).

*Amendment made*

Page 5, line 5,—

for “1963” substitute “1964”  
(4)

(Shri T. T. Krishnamachari)

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

“That clause 5, as amended, stand part of the Bill”.

*The motion was adopted.*

*Clause 5, as amended, was added to the Bill.*

**Clause 6**—(Insertion of new sections 21A, 21B and 21C).

*Amendment made*

Page 5, line 36,—

for "1963" substitute "1964"  
(5)

(Shri T. T. Krishnamachari)

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

"That clause 6, as amended, stand part of the Bill".

*The motion was adopted.*

**Clause 6**, as amended, was added to the Bill.

**Clauses 7 to 12** were added to the Bill.

**Mr. Deputy-Speaker:** Is Shri V. B. Gandhi moving his amendment No. 6 to clause 13?

**Shri V. B. Gandhi:** No, Sir.

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

"That clauses 13 to 18 stand part of the Bill".

*The motion was adopted.*

**Clauses 13 to 18** were added to the Bill.

**Clause 1**—(Short title and commencement)

*Amendment made*

Page 1, line 4,—

for "1963" substitute "1964"  
(2)

(Shri T. T. Krishnamachari)

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

"That clause 1, as amended, stand part of the Bill".

*The motion was adopted.*

**Clause 1**, as amended, was added to the Bill.

**Enacting Formula**

*Amendment made*

Page 1, line 1,—

for "Fourteenth" substitute "Fifteenth" (1)

(Shri T. T. Krishnamachari)

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

"That the Enacting Formula, as amended, stand part of the Bill".

*The motion was adopted.*

**The Enacting Formula**, as amended, was added to the Bill.

**The Title** was added to the Bill.

**Shri T. T. Krishnamachari:** I move:

"That the Bill, as amended, be passed".

**Mr. Deputy-Speaker:** Motion moved:

"That the Bill, as amended, be passed".

**Shri A. N. Vidyalkar** (Hoshiarpur): Mr. Deputy-Speaker, I want to make only one or two observations. I am glad that this Bill, which facilitates the extension of business of the State Bank, is being passed. But, so far as the operation is concerned, the managers, directors and others who are responsible for the operation of these banks, they should not follow the pattern, the general policy and attitude that is followed generally by the other private banks. Their object should not be to help monopoly capital, which is the normal attitude of our private bankers, but to help the ordinary people, the small traders, small industries and the society in general.

Secondly, I am really surprised to hear the view of Shri Raghunath Singh because it is ridiculous. He argued that because in our economy there is private sector and public

sector, so in the banking industry also there should be public sector and private sector. That argument does not appeal to me. In fact, the Congress Party has accepted the policy of nationalisation of banks. It is because of practical reasons or difficulties that we have not done it but empowered the Reserve Bank to exercise more and more control over the private banking industry. We have felt the necessity for nationalisation long ago. In fact, the banks are performing the function that the heart performs in the body. At present our economy suffers sometimes from low blood pressure and sometimes from high blood pressure. The whole malady could be remedied only if the whole banking industry is under proper control and check of the State. Therefore, the argument of Shri Raghunath Singh does not appeal to me.

We want uniformity in our economy, uniformity in our planning, and that is not possible unless our banking industry is properly checked and controlled and allowed to go in the right direction, and the resources are mobilised for proper planning. As I said earlier, I repeat that because of practical reasons we have adopted a policy of applying proper checks and controls on the scheduled banks without immediately nationalising them.

At present, most of the scheduled banks advance money for speculation. But we need not employ our resources for holding stocks or speculation. At present, we are confronted with the problem of rising prices; to quote one instance, in the case of groundnuts last year about Rs. 13.9 crores were advanced as loans by the scheduled banks for forward trading. This year, in January 1964 the figures were Rs 23.31 crores. So, the private banks are not advancing loans to industry for trading but for forward trading and speculation. It is our policy to put a check on this.

**Shri Joachim Alva:** We have banned forward trading in many commodities.

**Shri A. N. Vidyalkar:** As this is the policy adopted by the scheduled banks, they need proper control.

**Mr. Deputy-Speaker:** Does the Minister want to reply?

**Shri T. T. Krishnamachari:** No, Sir.

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

"That the Bill, as amended, be passed".

*The motion was adopted.*

**Mr. Deputy-Speaker:** We shall now take up Short Notice Question No. 4.

14.30 hrs.

SHORT NOTICE QUESTION NO. 4

PLIGHT OF REFUGEES IN MANA CAMP

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Shri S. M. Banerjee  
Shrimati Renu  
Chakravartty:  
Shri Indrajit Gupta:  
S.N.Q. No. 4. { Shri Prabhat Kar:  
Shri Dinen  
Bhattacharya:  
Shri Mohammad  
Elias:  
Shri J. B. Singh:

Will the Minister of **Rehabilitation** be pleased to refer to the answer given to the Starred Question No. 164, dated 4th June, 1964 and state:

(a) whether more than 1,000 refugees left Mana Camp;

(b) whether many small children died and epidemic broke out in the camp;

(c) whether no proper medical aid was available;

(d) whether steps have now been taken to improve condition; and

(e) whether refugees have been persuaded to go back to camp?

**The Minister of Rehabilitation (Shri Tyagi):** (a) According to reports so far received, the number of persons who have left the Mana camp is about 200.