

15.13 hrs.

STATE-ASSOCIATED BANKS (MISCELLANEOUS PROVISIONS) BILL

The Deputy Minister in the Ministry of Finance (Shri B. R. Bhagat):
Sir, I beg to move:

"That the Bill further to amend the State Bank of India Act, 1955, the State Bank of India (Subsidiary Banks) Act, 1959, and the Bankers' Books Evidence Act, 1891, and to provide for the winding up of certain minor State-associated banks and for matters connected therewith, be taken into consideration."

Sir, an anti-climax to the debate that was going on, this is rather a simple matter and almost non-controversial. The Bill has been brought forward for the purpose of introducing, in the enactments relating to the State-associated banks, certain amendments which are considered necessary or desirable in the light of actual experience.

Firstly, the House will recollect that the Central and State Governments came to be associated, largely as a result of the integration of the States, with a number of commercial banks. When the All-India Rural Credit Survey Committee submitted its report in 1954, there were nine such medium-sized banks, excluding the Bank of Baroda (with which the then Bombay Government was not really intimately associated) and twenty-six other minor institutions with deposits varying from a few lakhs to one or two crores of rupees. The medium-sized institutions, with the exception of the Bank of Rajasthan which chose to retain its independent status as a unit in the private sector, were reconstituted as statutory subsidiaries of the State Bank of India between October, 1959 and May, 1960 in pursuance of the provisions of the State Bank of India (Subsidiary Banks) Act. Of the twenty-six minor State-associated banks, two have been allowed to con-

tinue as independent units, thirteen have ceased to carry on banking business or have been refused licences under the Banking Companies Act, and nine have been or are likely to be merged with the State Bank of India or its subsidiaries. Final decisions have thus been taken in regard to 24 out of the 26 minor units, leaving only two small banks, which have not been functioning normally for some time, to be dealt with at this stage.

The present Bill is intended to facilitate the amalgamation, wherever this is considered to be appropriate or desirable, of the medium-sized institutions which were constituted as statutory subsidiaries between October, 1959 and May, 1960, and also to provide for the orderly winding up of two minor State-associated banks in regard to which no decisions could be taken so far. It will perhaps be useful, if I were to refer very briefly to the circumstances in which these provisions have become necessary.

It was envisaged, even when the State Bank of India (Subsidiary Banks) Act, 1959, was enacted by Parliament, that it might be necessary at some future stage for one subsidiary to take over another subsidiary along with its assets and liabilities. Section 38 of this Act accordingly provided for a scheme to be sanctioned by the Central Government authorising such a transfer. It was not anticipated, however, in 1959 that there might be a demand, in consequence of such transfers, for changing the name of any transferee bank.

We are now considering a scheme which involves such a change in the name. As hon. Members from Rajasthan are, perhaps, aware, the State Banks of Bikaner and Jaipur have recently agreed that the former bank might take over the undertaking assets and liabilities of the latter bank, but that the name of the amalgamated institutions should be changed thereafter, so as to include a reference therein to both Bikaner and Jaipur.

This is a demand of all the Members as well as people of those areas. The merger of these two subsidiaries of the State Bank of India is expected to result in the establishment of a single strong and well-administered institution in the public sector, serving the needs of the entire Rajasthan area, and Government have, therefore, welcomed this proposal. In order to authorise a change in the name of the amalgamated institution as proposed, we have now come to the House for permission to supplement the provisions of Section 3 of the State Bank of India (Subsidiary Banks) Act.

The other provisions in this Bill relating to the two minor State-associated banks to which I have referred, namely, the State Bank of Dholpur and the State Bank of Kurundwad (Junior) have been necessitated by the fact that the relevant enactments relating to these banks, as issued by the former Indian rulers, were incomplete and unsatisfactory. The provisions which are now being made are, as the House will find, self-explanatory. The intention is to authorise the winding up of the affairs of these banks as far as possible in accordance with the procedure applicable to banking companies in liquidation. The residue of assets which may be available, when the process of winding up has been completed, will be utilised in the case of the Dholpur bank for the purposes which were originally contemplated and will revert in the case of the Kurundwad bank to its shareholders.

Sir, I do not want to comment on the other clauses of the Bill except to say that clause 2 is meant to bring the provisions of the law relating to voting or participation at board meetings by the directors of the public sector companies interested in the items under discussion, into line with those of the Companies Act, 1956 as amended in 1960, and that clause 4 brings the definitions in the Bankers Book Evidence Act up to date. These amendments are more or less formal in character.

There is no provision in the present Bill which can be said to raise any major issue of policy. We might not normally have troubled the House with this relatively unimportant Bill at a time like this, but the State Banks of Bikaner and Jaipur have indicated to us that they would like the merger, which they have been negotiating, to come into force on the 1st January, 1963. As the House has now managed to find some time for considering this measure, I would request that the Bill may be adopted as it stands.

Mr. Deputy-Speaker: Motion moved:

"That the Bill further to amend the State Bank of India Act, 1955, the State Bank of India (Subsidiary Banks) Act, 1959, and the Bankers' Book Evidence Act, 1891, and to provide for the winding up of certain minor State-associated banks and for matters connected therewith, be taken into consideration."

One hour has been allotted for consideration and passing of this Bill. Hon. Members will, therefore, try to be very brief.

Shri Kashi Ram Gupta (Alwar): Mr. Deputy-Speaker, Sir, I want to say something about the Dholpur Bank only. As it is evident, this bank was created for a specific purpose, for the Badi Maharani Sahiba Memorial. I cannot understand how things have drifted in the past as no adequate information is available about this. Even at this stage certain lacunae have been left behind. In the Bill it is provided that the recoveries shall be made in the ordinary way as State revenues. If that is the case, how the recoveries have been left behind is not clear. Moreover, when such ends are there, when such set purposes are there, how the Rajasthan Government could lend some money to that bank is also not clear.

[Shri Kashi Ram Gupta]

Then, some of the provisions in the present Bill are quite contrary to the provisions in the original Act. Only today morning I have given notice of two amendments, but I do not think they have been received in time. Anyhow, I can speak even without moving my amendments.

So long as the recovery method in the original Act is there, I think we cannot make rules for separate recovery until that is repealed. So, I have stated in my amendment:

"To give effect to everything or anything contained in (a), (b), (c), (d) and (e) above, the mention in the original State Bank of Dholpur Act, 1915, in connection with the mode of recovery of the bank dues and rule 53 connected therewith are hereby declared as having no effect hereafter."

Unless this provision is inserted, the legal lacunae will still continue.

Then, this bank was established for a set purpose. So, unless we omit the words "as far as may be" in line 34 at page 5, we cannot use the funds available only for that specific purpose.

There is the question of the memorial for which the bank was established. Now that capital must have either diminished or increased, which may be in the knowledge of the Government. I want to know why this was allowed to remain in an oscillating position for the last fifteen years. First, Dholpur State was taken in the Matsya Union and then Rajasthan was formed. Why was this not done at that time? Neither was this done when the Subsidiary Banks Act of 1959 was passed. So, my submission is all these things should be made clear and full information given to the House.

I have pointed out some of the difficulties that may arise. So, we must ensure against that. After all, the

Maharaja has created this fund for a specific purpose. Though the ruling family is there, there is no question of giving that family anything; whatever is left behind must be utilized for that specific purpose.

Finally, I thank you for giving me this opportunity to speak on this Bill.

Shri Prabhat Kar (Hooghly): So far as the provisions in the Bill are concerned, the major part relates to the merger of the two State associated banks, viz., the State Bank of Jaipur and the State Bank of Bikaner. The other two are very minor points. As regards the amendment of section 3 of the State Bank of India Act and clarifying the provisions relating to voting by the directors of the State Bank and the provisions relating to the orderly winding up of two minor state-associated banks, they are quite welcome.

Here I want to know only one thing. Now this merger is taking place between the State Bank of Bikaner and the State Bank of Jaipur, giving it a new name. At this moment when Government are reconsidering the whole functioning of the State-associated banks why is it that they have not thought in terms of merging these State-associated banks with the State Bank of India. So far as the functioning of the subsidiary banks are concerned, it is almost the same—why almost the same? it is the same—as the State Bank of India, whether in relation to a commercial bank or in relation to services to Government, because all the State-associated banks are functioning as treasury offices of the Government just like the State Bank of India. At that time they were made subsidiaries with a view to consolidate their position and run them efficiently. Now when these two banks are being merged, is it not the time for Government to think in terms of merging all the State-associated banks with the State Bank of India?

15.25 hrs.

[SHRI SURENDRANATH DWIVEDI in the Chair]

Then, if it is necessary to have subsidiary banks, as subsidiaries of the State Bank, why not they merge all the subsidiary banks now so that on a future date both the State Bank and its subsidiary can be merged into one bank, instead of allowing so many subsidiaries to function in their own old way?

Then, I want to know the reason for the merger of these two banks. I can understand the merger of two commercial banks. One of the banks may not be functioning properly and Government, naturally, may want to merge it with another bank which is functioning in a better way so that neither the depositors, nor the shareholders or employees will be placed in a difficult position. But these two are State-associated banks under the control of the State Bank and the Government of India. So, what is the main reason for their merger unless it is that one of the banks is not functioning properly?

Many of the branches of the Bank of Jaipur were closed down before merger. So, there must be something wrong with the State Bank of Jaipur. I am quite confident that with the merger of the Bank of Jaipur with the Bank of Bikaner, it will function in a better way. I also hope that there will be no retrenchment of employees as a result of the merger. It is with that hope that I am supporting this Bill.

So far as the winding up process of the State Bank of Dholpur and the State Bank of Kurundwad are concerned, I do not know why they were not taken over at the time when the subsidiary banks were formed. Today we are talking of winding up these banks. Have any efforts been made to see whether it was possible

to have them amalgamated or merged with the subsidiary banks, instead of winding them up, so that these banks could also play their role in this area?

With these words, I support the Bill and request the hon. Minister to explain the position in detail.

Shri Sham Lal Saraf (Jammu and Kashmir): I have gone through this Bill and on principle I quite agree that weaker banking institutions in the country should, in accordance with the law already on the statute book, be taken over by stronger institutions in order to enable them to render more and more service to the country, more especially to the business community. Before I comment on the clauses of the Bill, which will come up for discussion clause by clause later on, I would like to ask one or two questions on a matter of principle.

I am very happy that the Bank of Bikaner is in a position that it can amalgamate another bank, but it would be quite pertinent to ask at the moment about the constitution of the Bank of Bikaner. What is its paid-up capital? What is its subscribed capital? What are its assets and liabilities at the moment? As you know, the whole country has been wanting to have a complete, effective and strong banking system in the country which will cater not only to the needs of the urban population but also the rural population, as well as the growing industrial population of the country.

Keeping that in view it would be pertinent to say that we know what the position at the moment is. As I have explained, when that position is explained with regard to the Bank of Bikaner and you have made out that the Bank is quite a stable bank and is in a position to cater to the needs of the area that it commands or has at its disposal, I would be the first man to welcome it.

[Shri Sham Lal Saraf]

Sometimes, as it has happened in the past also, some of our officers, or even the gentlemen working in the Government, have at times strived to brush aside the small banks in the country and say in one word that these should go and should be replaced by the Reserve Bank of India or the State Bank and so on and so forth. But having seen all over the country the functioning of some of our banks, I can say from some experience that in certain areas banks have cropped up, more particularly in the erstwhile States, because of the local effort either of the then some rulers of the States or of the effort and aspirations of the local business talent and men who were working in public life. Because of them some of the banks had come into existence then when very little banking facilities were available, particularly to the people living in those States to one of which I also belong. I belong to an erstwhile State.

I know some of the bankers have rendered yeoman's service to the people of those States. Not only that, I can say this much also that some of the people of those States have acquired a sort of sentiment towards those banks and they would very much like that those banks are strengthened and, in the modern context of things, are helped and aided so that they can render more and more service to the country. Of course, the opportunity to say that will come when we will have to say something on the provisions in the clauses of this Bill, but I would very pertinently ask one thing of the hon. Minister. He will please tell us as to what the general financial position of the Bank of Bikaner is.

Similarly, they want to extend the provisions of this Bill to other banks. Perhaps they are the Dholpur Bank and the Kurundwad Bank, somewhere in the country. As far as the mushroom growth of banks is concerned, I would say emphatically that that should in no case be allowed. The

mushroom growth of banks should straightway be stopped and the Government should see that not a single bank is allowed to exist in that way.

Shri Kashi Ram Gupta: Dholpur Bank was for a special purpose.

Shri Sham Lal Saraf: I have already explained that point.

Besides helping the country and the countrymen, instead of doing that, some of these banks, that is, the mushroom growth ones, have created a lot of lack of confidence in the past. A very recent instance is that bank in Kerala which closed its doors only a year or so ago. We know how much of misapprehensions it has created in the minds of depositors and others. These days because of the national government that we have in the country—it is not the Britisher's government—naturally, the Government is making all efforts to see that the income of the people is raised. From statistics one can find that even small savings are being encouraged all over. Therefore keeping that in view the main concern of our Government and of those who are looking after our banking policy is to see that they safeguard the interests of the depositors as also to see that investment facilities are provided to the people, more particularly to the people living in those areas in which those banks are existing.

From personal experience I can say one or two things. Talking about the big banks which, of course, are recognised anywhere and everywhere, it is very difficult for men or for business houses, who do not wield a lot of influence, to be able to get any facility from the Reserve Bank and bigger banks. Therefore this must be seen very clearly that banks that are already existing within the country and are spread all over the country, where people of those areas from the different walks of life are in a position to get the benefit of the existence of

those banks there which help in investments and help the depositors as well, are not disturbed. At least, about such of the institutions that are being wound up it may be said clearly as to what their financial position may be. When that is known, then and then alone it may be possible to agree to it. So, he should enlighten us with regard to the position of those banks.

With these words I am placing at the moment my views before the House.

Shri B. R. Bhagat: Mr. Chairman, Sir, I am glad that the three hon. Members who have spoken on this Bill have given a general measure of support. It is, of course, natural that some hon. Members would ask a few questions concerning this.

The hon. Member who spoke first asked as to why the Dholpur Bank was allowed to remain as it is for the last 15 years, as he said.

Shri Sham Lal Saraf: I would request the hon. Minister to speak from the front bench because that is nearer the mike. We cannot hear him.

Shri B. R. Bhagat: I will raise my voice a little.

The Deputy Minister in the Ministry of Food and Agriculture (Shri A. M. Thomas): It need not be so gentle.

Shri B. R. Bhagat: The period of fifteen years is not very relevant in this case because integration took a number of years and then, when we considered the whole question of subsidiaries, it was only a few years back that we came before this House. But the real fact was that the bank was not functioning at all and some of the advances made to the Directors were against immobile collateral securities. Also, the rules and other objectives were worded in such a vague or defective manner that it was not considered possible to rehabilitate the bank. Therefore, the question of delay, as he

says of 15 years, in taking up this question does not arise because there were the legal and other difficulties and the bank was absolutely moribund. It was not functioning.

So far as this question of recovery is concerned, he has asked as to why we are changing the mode of recovery.

Shri Kashi Ram Gupta: We should change; but unless we remove that clause from there.....

Shri B. R. Bhagat: That is true. That is exactly what I am going to point out. Clause 5 starts with the words:

"Notwithstanding anything to the contrary contained in any other law or in any order or other instrument".

So, whatever is contained there goes if this Bill is passed into law. That does not obtain. If I spell it out a little more, this was one reason why the bank remained as it was; we could not do anything about it because the charter of the Maharaja or the legal document was so defective. It said that recovery could be made in the same manner as Government recovers land revenue dues and other things. One important legal interpretation was whether it was the mode of recovery or the period of limitation that was meant. What was the intention of that wording? This matter was examined first by the Rajasthan Government's Legal Department and then the matter was examined here. Then it went for some other judicial interpretation. So, all this took a lot of time because the question of law was involved in it, namely, whether what we are doing today is legal or not. We have followed the stricter interpretation on the advice of our legal advisers, that is, that it is the period that we should take.

Shri Kashi Ram Gupta: If the Bank was not functioning, what was the reason for the Rajasthan Government giving loan to that Bank? You have written there that the Rajasthan Government's loan is there.

Shri B. R. Bhagat: That is all a matter of history and we should not go into those things. I am only saying that whatever mistakes were committed we are trying to rectify by this. At this stage it is not very advisable nor will it serve any purpose to go into why this was done or why that was not done.

The banking practices and other things in some of the States, particularly in the smaller States, were different. The first difficulty about this Bill was whether it was a banking company or not because the very object of it said that it would be for a charitable purpose. So, the first question to be decided was whether it was a charitable institution for a charitable purpose or whether it was a banking institution. The sum and substance of the whole thing is, either the documents or the charter or the legal framework was not such that would subserve any pattern. What we have tried to evolve is what obtains in banking practice whether as regards liquidation or recovery or anything else. I think the hon. Member should be satisfied.

Shri Kashi Ram Gupta: What about the words 'as far as may be'? Will the Government allow these funds to be used for that purpose only afterwards?

Shri B. R. Bhagat: Whatever remains after meeting demands will be utilised as for the purpose.....

Shri Kashi Ram Gupta: The words 'as far as may be' are there. What is the meaning of 'as far as may be'?

Shri B. R. Bhagat: As I said, the charter or the document is such that it cannot be interpreted in the modern banking way. This is an enabling clause. The idea is, whatever is left behind will be used for the purposes and objects of the Dholpur State Bank and in the other case of the Bank of Kurundwad, whatever be left will go to the shareholders. That is the natural practice. 'As far as may be' is only to make it more flexible and not to have a rigid pattern.

The hon. Member raised two points: why not the other Banks subsidiaries also be merged. He knows about these matters too well and perhaps he appreciates that the difference between Bikaner and Jaipur is not the same as between Mysore or Saurashtra.

Shri S. M. Banerjee (Kanpur): Both are here.

Shri B. R. Bhagat: These two banks, Jaipur and Bikaner belong to the same area, the same region. In this particular case, the Bikaner Bank is sound and functions well. The other Bank, Jaipur is rather weak. Therefore, by integrating the two, we not only strengthen the banking in this region, it is very good from all points of view. Here is a case for merging. Similarly, the case of merging the Bank of Mysore and Saurashtra does not stand on all fours. As the House will recall, one of the many factors in maintaining separate subsidiary banks was to meet the sentiment of the local people and local sentiments. Each bank, as a result of its long work, has developed a traditional pattern, its own clientele. It is a rather fine point for appreciation that they want to maintain their clientele, that traditional way of working or their own regional sentiments. In recognition of these things, we maintain their separate entity. That is the reason why they cannot be merged either *inter se* among themselves as in this case like Jaipur and Bikaner which is good for all purposes. Also this is welcomed by the two banks, employees, management as well as by the people of the region. If such condition obtain in other cases, we will certainly consider that. But they do not obtain. That is why all the banks cannot be merged into one and all the banks cannot be merged with the State Bank of India. I think the hon. Member knows too well and he smilingly nods. I think I should leave it at that.

Mr. Chairman: The question is:

"That the Bill further to amend the State Bank of India Act, 1955,

the State Bank of India (Subsidiary Banks) Act, 1959, and the Bankers' Books Evidence Act, 1891, and to provide for the winding up of certain minor State-associated banks and for matters connected therewith, be taken into consideration."

The motion was adopted.

Mr. Chairman: We now take up clause by clause consideration. There are no amendments. I shall put all the clauses to the House together. The question is:

"That clauses 2 to 6, clause 1, the Enacting Formula and the Long Title stand part of the Bill."

The motion was adopted.

Clauses 2 to 6, clause 1, the Enacting Formula and the Long Title were added to the Bill.

Shri B. R. Bhagat: I move:

"That the Bill be passed."

The motion was adopted.

15.45 hrs.

**EMPLOYEES' PROVIDENT FUNDS
(AMENDMENT) BILL**

The Minister of Supply in the Ministry of Economic and Defence Coordination (Shri Hathi): Sir, on behalf of Shri Nanda, I beg to move:

"That the Bill further to amend the Employees' Provident Funds Act, 1952, as passed by Rajya Sabha, be taken into consideration."

As the House is aware, this Act was passed in 1952. The present amendment is a very simple one, a non-controversial one and still it is a

very important measure from different points of view. It aims at raising the contribution of the workers and the employers from 6½ per cent to 8 per cent for provident fund. The provident fund scheme has always been looked upon as a social security scheme for workers. Especially in a country like India where the wages of the workers are not high, these benefits, and retirement benefits are of great use to the workers in their after retirement life. Therefore, it was conceived that this scheme where the contribution is 6½ per cent may be raised to 8 per cent. The Act as it stands today, does provide for the workers to contribute voluntarily 8½ per cent if they so desire. But, it is not incumbent, under the existing Act, on the employers to contribute 8½ per cent. They have to contribute 6½ per cent. The measure raises that limit from 6½ per cent to 8 per cent, in the case of both the employers and employees.

As the House knows, when the scheme was implemented originally, it was extended to only 6 industries in 1952, because it was a new measure and administrative machinery had to be set up. Slowly and slowly, many more industries and commercial establishments have now been covered and today, it applies to 69 industries and establishments. The total number of workers who derive benefit is about 33 lakhs and the number of factories and establishments covered is about 200.

Shri Sham Lal Saraf (Jammu and Kashmir): Including the Government sector factories?

Shri Hathi: Yes; not the Railways. In the initial stages, we had only 6 industries. Then, slowly, we raised and in the last 3 years, the number has been increased by 30. It is now 69 industries.

Shri S. M. Banerjee (Kanpur): Sixty-nine?