

**SHRI M.A. BABY (Kerala):** Sir, there is no Parliamentary Affairs Minister when such questions come up. ...*(Interruptions)*..

**SHRI SHANKAR DAYAL SINGH:** The Home Minister has already laid a copy of the Vohra Committee report on the Table of the House. That is before us now. That is the burning subject. Yesterday, as you know, Joshiji had raised this question. Now I want to know through you, Sir, when the debate will take place here. Kindly tell us.

**THE VICE-CHAIRMAN (SHRI V. NARAYANASAMY):** Kindly take your seat I will tell you. Yesterday there was a discussion on the subject with the hon. Chairman, and I think it has been agreed that it will be discussed next week.

Now we will take up the Trade Marks Bill, 1995. Mr. Minister, you have to reply to the debate on the Trade Marks Bill.

**THE TRADE MARKS BILL, 1995 —**  
Contd.

**THE MINISTER OF INDUSTRY (SHRI K. KARUNAKARAN):** Mr. Vice-Chairman, Sir, yesterday I made some remarks on how we will proceed with this Bill. As I said yesterday, we would like to get the views from the different quarters, for which we are consulting all the party leaders. I am sure, with every-body's cooperation we will be able to take up this Bill on Monday. I request the Chair to accede to this request.

**THE VICE-CHAIRMAN (SHRI V. NARAYANASAMY):** I think it has been the unanimous view of the House that the Bill will be considered on coming Monday. I think the hon. Minister can reply on that day. Whatever decision has been taken, that will be followed.

**SHRI SANGH PRIYA GAUTAM (Uttar Pradesh):** What time?

**THE VICE-CHAIRMAN (SHRI V. NARAYANASAMY):** That will be

considered when the List of Business comes.

**SHRI VAYALAR RAVI (Kerala):** Sir, what is the decision?

**THE VICE-CHAIRMAN (SHRI V. NARAYANASAMY):** The decision is that it has been agreed by the House that the Trade Marks Bill will be further discussed on Monday and that whatever consensus is arrived at will be reported to the House on that day.

**SHRI TRILOKI NATH CHATURVEDI (Uttar Pradesh):** Will the Minister reply? I understand from the Minister's remarks that he is consulting various parties.

**THE VICE-CHAIRMAN (SHRI V. NARAYANASAMY):** The Minister will reply on coming Monday. If a consensus is arrived at he will report it to the House.

**SHRI TRILOKI NATH CHATURVEDI:** I think the list of speakers was completed.

**THE VICE-CHAIRMAN (SHRI V. NARAYANASAMY):** Yes, it is over. You will not get a chance now.

**THE RECOVERY OF DEBTS DUE TO BANKS AND FINANCIAL INSTITUTIONS (AMENDMENT) BILL, 1995**

**THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH):** Sir, I move:

"That the Bill to amend the Recovery of Debts Due to Banks and Financial institutions Act, 1993, as passed by the Lok Sabha, be taken into consideration."

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 came into effect from 27th August, 1993. The Act provides for establishment of Tribunals for expeditious adjudication and recovery of debts due to banks and financial institutions and for matters connected

therewith or incidental thereto. Section 3 of the Act empowers the Central Government to establish one or more Tribunals to exercise the jurisdiction, power and authority conferred on such Tribunals by or under the Act. Similarly, section 8 of the Act provides for the establishment of one or more Appellate Tribunals to be known as Debts Recovery Appellate Tribunals to exercise the jurisdiction, powers and authority conferred on such Tribunals by or under the Act. To begin with, the Government has decided to set up 10 Tribunals in various parts of the country so as to cover the whole of India except Jammu and Kashmir.

DR. BIPLAB DASGUPTA (West Bengal): Mr. Manmohan Singh, your mike is not functioning.

SHRI MANMOHAN SINGH: It was also decided to set up an Appellate Tribunal at Bombay with jurisdiction on all the Tribunals.

DR. BIPLAB DASGUPTA: Your mike is not functioning. Kindly move the papers to one side.

SHRI MANMOHAN SINGH: The Government has so far been able to establish five Tribunals at Delhi, Calcutta, Jaipur, Bangalore and Ahmedabad and one Appellate Tribunal at Bombay.

A large number of court cases have been filed in various High Courts, challenging the validity of the Act. The Delhi High Court, in a case filed by the Delhi High Court Bar Association vs. Union of India, delivered the judgement on 10-3-95 holding the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 as unconstitutional and void. The Union of India filed a Special Leave Petition in the Supreme Court of India, and the Supreme Court, vide its order dated 21-4-95, granted the Special Leave Petition and also stayed the judgement of the Delhi High Court in this case.

Government has so far not been able to make the remaining Tribunals functional, the main reason being non-availability of suitable officers within the prescribed age-limit for manning the posts of Presiding Officer. With a view to attracting competent persons for manning these posts, it has been proposed to raise the retirement age for the Presiding Officer of the Debt Recovery Tribunal from sixty to sixty-two years and from sixty-two to sixty-five years for the Presiding Officer of the Appellate Tribunal.

I, therefore, move that the Bill which provides for amendment of section 6 and section 11 of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 raising the age-limit of the Presiding Officers of the Debts Recovery Tribunals and the Debts Recovery Appellate Tribunals from 60 to 62 years and from 62 to 65 years respectively, as passed by the Lok Sabha, may be taken up for consideration in the august House and I also request that Bill be passed.

*The question was proposed.*

SHRI SATISH AGARWAL (Rajasthan): Mr. Vice-Chairman, Sir, the amending Bill makes a very minor amendment in the original Act. As has already been stated by the hon. Finance Minister on the floor of the House that because they could not get suitable officers for working as Presiding Officers of the Tribunals and also of the Appellate Tribunals on account of the age bar which was 60 years and 62 years respectively, now they want to raise it from 60 years to 62 years for Tribunal and from 62 years to 65 years for Appellate Tribunals. This has been stated as one of the reasons for bringing in this amending Bill.

I take this opportunity of making some additional submissions with regard to the banking industry.

This Recovery of Debts Due to Banks and Financial Institutions Bill, 1993 was passed by both Houses of Parliament. It

was assented to by the President of India on 27th August, 1993. It is practically two years now, but we have not been able to implement the provisions of the Bill. This particular measure was brought in in such a sudden haste in order to make effective the recovery of bank dues and financial institutions dues, but I am sorry to observe that even after the lapse of two years — practically in August it is going to be two years now — that we have not been able to finalise the penal of Presiding Officers of all the Tribunals as well as the Appellate Officers for the Appellate Tribunals. I am not going into all those reasons. Normally, in Provincial Services the retirement age is 60 years for District Judges and for High Court Judges it is 62 years. And if we can get talents available for appointment as High Court Judges even with 62 years as the age bar, I fail to understand how we could not get competent persons to man these Tribunals or Appellate Tribunals when the age bar is 60 years and 62 years respectively. The age bar for District Judges in the Judicial Services is 60 years and in some States it is 58 years. So, when we can get people competent enough to be appointed as District Judges up to the age of 57 years, how is it that we could not get competent people to man these tribunals even up to the age of 60 years? And so far as the Appellate Tribunals are concerned, the age bar is 62 years in High Courts for High Court Judges. When we can get suitable persons for appointment as High Court Judges up to the age of 62 years, I fail to understand as to how our Finance Ministry was a completed failure in identifying persons for that. They could have some people on deputation also from the State Services. I do not know whether the job is so non-lucrative that people are not interested in coming to this job. Otherwise many people could be drawn from the State Services on deputation to these posts. I am not aware of the rules which we have framed with regard to the terms and conditions of the service of these Presid-

ing Officers and whether they are not in tune with those which are available as District Judges because then they get a pension. With regard to High Court Judges there, they also get a pension. I do not know whether with regard to these people, they will be entitled to pension and other benefits also. So, that may be the reason why people are not attracted. Otherwise there may be a lot of people, who may be available even up to the age of 60 years and 62 years for manning these tribunals. Anyway, practically in some of the States the work has not progressed well on account of the non-availability of competent persons and that is why the hon. Finance Minister has come with this amendment, to which I do not object. If this is the compulsion of the State for a noble cause, then naturally we have to agree to the amendment. I do not oppose the amendment Bill as such, because it is only with regard to raising the age limit for appointment to the Tribunals and the Appellate Tribunals.

Now, Sir, this is not going to end the malady in the banking sector. I take this opportunity of drawing the attention of the hon. Finance Minister to these things and would like to make two or three more points. I think the whole House will express concern and the Finance Minister must also be concerned about it. I do hope that he will respond to it and assure this House that effective measures will be taken with regard to the banking industry.

When the banks were nationalised in 1969, the total deposits were round about Rs. 6,000 crores. As on date we have crossed Rs. 2,25,000 crores. The number of branches is running to more than 60,000 in the whole country. This area is expanding. I am not going into each and every detail. But I would like to request the hon. finance Minister to kindly see the Ninth Report of the Standing Committee on Finance if he has not already

seen it. I would like to draw his attention to paragraph 19 of the Report. I quote:

"The Committee view with concern that despite the time bound programme and other directives prescribed for clearing the arrears in inter-branch reconciliation accounts, the progress reports received from banks show that as on 31 March, 1993, SBI and its associate banks had outstanding entries of 19.58 lakh involving Rs. 60,097.64 crore in respect of entries up to 31 March, 1992. The nationalised banks had also outstanding entries of 115.26 lakh involving Rs. 2,74,838.35 crore. Thus the total outstanding entries of SBI, its associate banks and other nationalised banks were 134.84 lakh involving Rs. 334935.99 crore."

134.84 लाख की अन-रीकन्साइल्ड एंट्रीज़ है बैंकों में जिसमें 3,34,935.99 करोड़ रुपया लगा है।

So far as this Committee is concerned, they have expressed a grave concern about it. This is a Committee of Parliament.

SHRI JAGESH DESAI (Maharashtra): When they appeared before the Committee on Government Assurances, they assured us that within a year reconciliation would be done. I think that was my impression. But so far as this picture is concerned, the hon. Finance Minister should take personal interest because most of the frauds have been brought out because of the reconciliation. So, I think this area should be given priority. I am sure that our Minister would look into it.

SHRI SATISH AGARWAL: There is a mention about the action plan also, but the action plan is not being taken up so seriously as it should have been taken up. There is a mention about it in this Report also. So, the Committee took note of the action plan also. But I am sorry to say that as on date more than 134.84 lakh are the outstanding entries involving Rs.

334935.99 crores which are unreconciled in the banks. This is a very serious matter. I think the hon. Finance Minister who is very keen about the health of the whole economy would look into this aspect also.

Now, Sir, another thing to which I would like to draw the attention of the House and the Finance Minister is with regard to frauds in banks. There are 24,918 cases of frauds involving an amount of Rs. 512 crores for the period from 1976 to June, 1990. I don't claim that frauds can be completely eliminated, but very effective steps have to be taken because this is, after all, public money and the number of frauds is on the rise. The statistical data has been given in this particular report. It is not that they are coming down.

In foreign banks, how is it that the amount involved is only Rs. 20 lakhs? You may say that the number of branches is less and supervision is more strict. I am not going into that question. But the amount involved in foreign banks is only Rs. 20 lakhs. I can understand if it is 0.01 per cent or something like that or some marginal frauds but not like this. They are on the increase. So far as our banks are concerned, the statistical data that has been given in the Report of the Estimates Committee for the year 1993-94 says that frauds are on the rise. This is also a matter of grave concern for all of us. I do hope that the hon. Finance Minister would take suitable note of it and take remedial steps.

Now, I would like to say something with regard to Regional Rural Banks. There is a mention in this very Report with regard to Regional Rural Banks. Out of 196 Regional Rural Banks, only 23 Regional Rural Banks were in a position of earn a profit amounting to Rs. 12 crores. As a result of recurring losses, the accumulated losses which stood at Rs. 368 crores at the end of March, 1991 have gone up to Rs. 614 crores at the end of March, 1992. And they are still on the

rise. Out of the 196 Regional Rural Banks, only 23 are making profits and the rest are on loss! You seem to be concerned about it. You made some statements on the floor of the House also. But they have to be given some sound footing and the causes and reasons which have led to the profits of the 23 Regional Rural Banks should be identified. And those measures should be undertaken with regard to the rest of the Regional Rural Banks. They are on a war-path on other issues. I am not on that particular point. But I do believe that these Regional Rural Banks which are making losses should be making losses to the tune of Rs. 700-800 crores. The figure must have gone up now. There is no question of its going down. There may be reasons why these banks are making losses. It may be a non-viable area or there may be some other reasons. I do not say that reasons are not available. But you will not take that alibi to protect the inefficiency in the banking sector, whether it is a case of fraud or corruption or irregularity and so on and so forth.

These are some of the matters which I would like to raise on this particular issue and I do hope that the hon. Finance Minister will take suitable steps in order to rectify this particular position and to make it suit our financial sector, the banking sector, which is a public sector involving public money and see that they are no more in the red and their efficiency is improved. I have read in the newspapers recently that some of the banks have done well. They have come out of the red. Why cannot the others do so? Some of the banks are topless; there is no chairman, there is no managing director. The Committee has commented adversely on this. The posts are vacant for one year or, maybe, two years. You are not one of those who are going to auction these posts. That might have been the practice earlier of some others. But so far as you are concerned, you are not one of them. So please see to it that they have

competent people in position. Otherwise, what is going to happen? There is one more challenge before you. The private sector and multinationals are coming into this country. They are picking the best talent from all our public sector undertakings and even from the private sector. They are paying them twice or thrice the amount you pay. I know of cases where a man who was getting Rs. 20,000/- earlier is now getting Rs. 60,000/- because the man has proved his worth and he is suitably rewarded. You can have some sort of an incentive for all those who try to bring the bank out of the red. You may give some incentive. I won't mind it. It may be 0.1 per cent or something like that. There may be an incentive in some form. Their salaries may be revised. I do not mind it. After all, they have to be made accountable. It is public money. Public sector banks have to be made accountable, particularly in the face of very stiff competition not only from the other private sector banks, but also from foreign banks. Why are people rushing to the Standard Chartered Bank or the Citibank? You see their advertisements, their attractive schemes. They are bringing innovative deposit schemes. Suppose you make a Fixed Deposit of Rs. 10,000/- with them. If you withdraw Rs. 2,000/-, you lose interest only on Rs. 2,000/- and not on Rs. 10,000/-. What is happening here in our banks? Suppose the balance is Rs. 25/-, they will close the account and say that the minimum requirement is Rs. 50/-. My wife's account was closed arbitrarily by a bank. I asked them, "Why did you close the account?" The reply was, "The minimum balance required was not there." If the minimum balance is not there, you should have informed me. This is how you are making money out of it. In the morning hours also, we were discussing the insurance sector. Hundreds and thousands of cases have come to light all over the country where fake policies are there. I know about Jaipur. People are making money. You have a policy and pay a monthly or

quarterly premium of, say, Rs. 100%. You have a commission of 33 per cent. The Development Officer pays the whole premium from his own pocket. Ultimately, all over the country, hundreds of crores of rupees are involved in these fake policies. You should look into them. These are important financial sectors which you are going to open up not now, but maybe, after one or two years. The banking sector and the insurance sector are two important sectors in the country. You are getting a lot of money mobilised through the insurance sector which is a monopoly sector. You are diverting funds for our development needs also. Unless you improve matters that way, things will not improve.

So, I would like to tell the hon. Finance Minister that so far as the amending Bill is concerned, it is an innocuous one. It is out of compulsion that you could not get the required competent personnel to man these Tribunals and Appellate Tribunals. I don't object to it. I support the measure because it is out of compulsion. We had passed the original Bill authorising the setting up of Tribunals. In that particular Bill also, you have taken the authority to issue a notification for less than ten lakhs of rupees. A lot of litigation is going on. Writ petitions have been filed. Some of them must have been decided by now. But, then, only setting up Tribunals should not give satisfaction to you. As on date, as I understand, 35,000 crores of rupees are involved in non-performing assets. This is a new phraseology being used because the common man cannot understand as to what non-performing assets is. Non-performing assets means those assets the likelihood of whose recovery is very negligible. The chances of recovery are very remote. You cannot do it. Out of the 35,000 crores of rupees of non-performing assets, most of them are with the large industrial houses and then you have a law that you will not let the public know and the Parliament know the names of defaulters because of the confidentiality clause. On account of

confidentiality, you are not going to disclose it. Why should not the country know about these people? Why should Parliament not know that these are the people who are defaulters? Why should you not make a provision that if a particular company, belonging to a particular group, is defaulting in payments, then any company of that particular group will not get any loan from any financial institution? Let them go to any private bank. Let them go to a foreign bank.

SHRI TRILOKI NATH CHATURVEDI (Uttar Pradesh): That has been recommended by R.N. Mehrotra Governor Reserve Bank, earlier.

SHRI SATISH AGARWAL: So, that can be one stringent measure they can adopt. After all, what is the fun of having all this? Out of ten companies being held by a particular group, one defaults. They owe 20 crores of rupees. They do not pay. They liquidate it. They wind up. They go to the BIFR. Then they float another company and get another loan. What is this after all? You should view it very seriously and make it known to everybody that if any one company of their group defaults on payments, then their other companies will not get the benefit of loan disbursement from the financial institutions as a whole. I am talking of the public financial institutions because public finances are involved in it. Then a lot of litigation will come down. Don't settle matters. You have to negotiate. You have to have arbitrators. Otherwise, the Tribunals also follow the same procedure. The same Civil Procedure Code is there. Some plaint is there. Of course, instead of being prayed in the courts, it is simply an application. They file an application. Then they will file a written statement. Then the documents will be filed. The evidence will be there. It will follow the same long-drawn out process of ten years to decide a particular matter. It is not a summary court which is going to decide these matters. You have excluded the jurisdiction of the Civil

Courts in these matters only because in Civil Courts, the matters take many, many years. So far as your banks and financial institutions are concerned, I am happy to know that the Government has realised these things. But, on the other side, the quantum of non-performing assets is also on the increase. You must try to see to it that that is reduced substantially. Secondly, you should see to it that the defaulting party does not get it. Thirdly, you must see to it that the country knows as to who the defaulters are, as to who the white-collared men are, who are holding parties and all that. You must keep a watch on them. You must tell them that they are not paying the Government dues and are having all this luxury at the cost of the public money. So, this country, as you rightly said, cannot afford all this luxury. You had rightly said in 1991 that this country cannot afford to have this luxury of living under debts, of borrowings, of this and that. Similarly, also now, this country can no more afford to have the luxury of lending money without realising it. Kindly see to it. With these words, I support the measure, as such. Thank you very much.

SHRI VAYALAR RAVI (Kerala): Mr. Vice-Chairman, Sir, even though I strongly oppose the BJP on political grounds, here I support them because, sometimes, they speak sense. (*Interruptions*)

SHRI TRILOKI NATH CHATURVEDI: We always speak sense. There is a difficulty in your understanding.

SHRI VAYALAR RAVI: Sir, this Bill is for a very, very limited purpose of amending two clauses to attract more competent people to the Tribunal and the Appellate Tribunal. Even though the amendment is that simple, the Minister has stated here just now that it has been delayed because of the litigations in the High Courts. At least the Supreme Court has come to the rescue of the Government. The cases of debt and bank litiga-

tions were a paradise for lawyers once upon a time. Every legal adviser of the banks always gives advice for litigation. That litigation is prolonged for a long time. I am not questioning their right to go in for a case. But who files the case? The case is filed by the lawyers themselves. So, it is evident that the Tribunal is a major measure to give some relief not only to the banks but also to the debtors. In this connection, I would like to make a suggestion. He must have studied the whole system. As Mr. Satish Agarwal has rightly said, there are big sharks who have made it a habit to defraud the banks and to attract as much money as possible in different names from different organisations. That is one side of the story. That may be accumulated in a big way. There are two categories. The other category is the individuals, the small people. The small people might have taken Rs. 10,000. I can tell you, Sir, that there are a large number of people who have taken Rs. 5,000 or Rs. 10,000. The interest must have been accumulated in a large number of cases. If you take the total number of cases, maybe, 70% to 80% may be against the small people.

Their property, 10 cents or 20 cent of land, has been auctioned or sold. So, the Minister should call for the file or a report. What is the total number of cases you file? You can make a large number of cases in the file. But if you go into the detail, you can easily find out that these cases are filed against the poor people who have borrowed from the banks Rs. 5,000 or Rs. 10,000 and not beyond that. You must categorise, them into two. As regards the debts by the small people, the small-scale industrialists, who took little money, and the interest accumulated on that, I believe, Sir, you have taken a policy decision to settle it, somehow or the other, out of the court and help the poor people. If you take away his property of a small house or 10 cents of land, I think their curse will fall upon not only you but also the whole people in the system. I hope the Government would

take a policy decision on debt relief. Apart from the appellate body to be constituted, the principal amount must be fixed, say Rs. 50,000 or Rs. 1 lakh, and whatever the accumulated interest is for a long time. You please see to it that in such cases an out-of-court settlement is possible. I have no doubt that the banks can benefit from this.

SHRI G. SWAMINATHAN (Tamil Nadu): Sir, I am on a point of order. The point of order is this. We are very much, very badly, disturbed by a lot of flies in the House. So many flies are there that we cannot sit here peacefully.

THE VICE-CHAIRMAN (SHRI V. NARAYANASAMY): I cannot give a ruling on that.

SHRI G. SWAMINATHAN: Whatever it is, it is a matter of privilege of a Member. Members should be able to remain undisturbed in the house. If there are so many flies in the House, in the Parliament itself, and if the Members are so much disturbed, how do we transact our business?

THE VICE-CHAIRMAN (SHRI V. NARAYANASAMY): No, I cannot stop the flies. But I can tell the Secretariat to dispel the flies.

SHRI G. SWAMINATHAN: I cannot move a privilege motion against the flies, Sir. That is my problem.

THE VICE-CHAIRMAN (SHRI V. NARAYANASAMY): Correct. I cannot also give a ruling on flies.

SHRI G. SWAMINATHAN: If it is a human being, I can move a privilege motion.

THE VICE-CHAIRMAN (SHRI V. NARAYANASAMY): Mr. Swaminathan, you know pretty well that I cannot give a ruling on flies.

SHRI G. SWAMINATHAN: I cannot also move a privilege motion. That is my problem.

THE VICE-CHAIRMAN (SHRI V. NARAYANASAMY): We will tell the

Secretariat. They will take care of them.

SHRI VAYALAR RAVI: If the flies can be an irritant to the House, then you can understand about the big noise.

As far as banking is concerned, in 1969 the country has witnessed the euphoria of nationalisation of banks, which has already been mentioned by Mr. Satish Agarwal. Yes, it was done with a social purpose. It was done with the purpose of not only taking control of the economy by the States but also of giving some kind of benefit to the poor people in the rural areas. He has rightly pointed out that it has gone up from Rs. 6,000 crores to many many crores of rupees. Our economy has become vibrant because many branches of banks have been opened in the rural areas. They have given a loan of Rs. 5,000/- or Rs. 10,000/- or Rs. 25,000/- to the poor people for self-employment. There was not only generation of self-employment, but some kind of an economic activity was also there. It was a great success. Unfortunately, that attitude of helping the poor and the unemployed in the rural areas has taken a back-seat. If you look at the whole thing, the rural branches of the banks have been closed down. The rural branches of the big banks were not opened to mobilise deposits only, the rural branches of these banks were opened to help the poor people. In rural areas there are cooperative banks and other service banks which mobilise deposits. But these nationalised banks and the public sector banks have to play a very important role in the rural economy. Unfortunately, an impression is being created that the role of the public sector banks is to help the big industries and big business houses. The big business houses are being accused today because they themselves are big frauds. Even if there is a fraud of Rs. 500 crores, the debt accumulation is running into many more crores of rupees. Does it not come from the poor? The 'loan melas' were accused by the Opposition once upon a



time. What is the total amount involved in it? If you take the total amount involved, it is only 10 per cent of the total amount which has been due to the banks. A large number of poor people are involved in it because due to some rural problems they were not able to repay the money. But many of them repaid the money. Sir, the programme of 'loan melas' was for the benefit of the poor people. It created a lot of enthusiasm among the poor people. It was a system which created employment and economic activities in the rural areas. This kind of programme should come back.

So far as the debt is concerned, the Minister should look into two aspects and he should also look into the social responsibility of the banks. The social responsibility of the banks is to help the poor people.

The decision or a circular for closing down of the rural branches of banks which are running into losses should be reviewed.

**SHRI MANMOHAN SINGH:** Sir, there is no such circular. I would like the hon. Member to tell me about one single rural branch which has been closed down.

**SHRI VAYALAR RAVI:** I fully appreciate this commitment. If I am wrong, I stand corrected. I quoted from a Press report. I stand corrected. I am happy that the Minister is very much firm that no branch in rural areas has been closed down. I appreciate and congratulate him for this bold step.

So far as the bank functions are concerned, I am afraid, the trade union militancy is one of the problems which the management is facing. If there is a set back in achieving the objectives of the nationalisation, it is the trade union militancy. Who controls the banks today? Is it the Managing Director or the trade unions? Today, it is the trade unions which dictate terms to the managements.

The managements have no say in it. I am a trade unionist. It is not the work of the trade union to involve itself in the management functions of the banks. You look at the whole thing. Many frauds are committed by the bank employees themselves. There are many cases of this kind. I would like the Minister to tell me how many persons have been suspended or expelled. It cannot be done. It cannot be questioned in the meeting of the Board of Directors because a trade union leader will be sitting there. There is no Managing Director who is prepared to annoy the trade union leader. I would like to know whether the purpose of giving representation to the trade union leaders in the Board of Directors is to improve the management of the bank or to protect the indiscipline. The fraud committed by the employees themselves is a major question. This question has to be examined. I am not against it. But the whole purpose is not served. The same is the case with the public sector banks. The trade unions in the public sector banks have to play a very crucial role.

Now, they are complaining about the closure of the banks. In many areas, it is the public sector bank employees who decide things and not the management. If the customer service in the public sector banks is poor, it is because of the trade union militancy. While they are expected to attract more number of customers to their banks, their behaviour is annoying the customers. They are, thus, forced to go to the private banks or foreign banks. This is one of the reasons. My request to the hon. Minister of Finance is that before giving representation to the trade unions on the Board of Directors, he should examine to what extent this is going to help the banks. If the employees commit a fraud, it should be the management which should take action. Now even a transfer cannot take place against the wish of the trade unions. I can quote an instance. In this, the management made certain transfers and

The unions objected to the transfers. Some *galata* ensued. Later, the union decided to file a complaint with the police saying that the manager concerned abused one of the employees because he was a Harijan. That provision should be revoked. You must understand the amount of pressure and harassment the management is undergoing. I am not pleading their case. But I am not in agreement with any kind of trade union militancy.

The other thing is that Mr. Satish Agarwal has made a point and I am fully in agreement with his view. The people who commit frauds once should be blacklisted. They should not be permitted to form a new company and continue the fraud in some another name. This is one of the best suggestions and the hon. Finance Minister should consider the suggestion. He has also raised the question of reconciliation of the accounts. This is the report and I believe there are certain serious matters in it. It needs the Government's attention to settle all these things.

Finally, when you constitute the appellate tribunal or a tribunal, you should select men with a judicial mind. The members appointed to the Tribunal should have some status. What is their status? This aspect may also come under the rules to be framed. I think that the members of the Tribunal should be given the status of High Court Judges or Supreme Court Judges. When you appoint the members, sitting Judges of the High Court or the Supreme Court should be appointed and it is more advisable. They should be given all the facilities because they have to deal with cases involving millions and millions of rupees. The salaries and emoluments to be paid to them should be fixed so as to make them independent. It is necessary that the members whom you appoint, whether sitting Judges of a High Court or of the Supreme Court, whatever you decide, should have a judicial mind and

they should be attracted from the judiciary. The Tribunal should have a great credibility. I, therefore, request the hon. Minister to differentiate between bigshots and poor people and formulate policies which would help the poor people whose number runs into many, many thousands.

Thank you, Sir.

DR. BIPLAB DASGUPTA: Mr. Vice-Chairman, Sir, I don't have any particular objection to the amendments that have been proposed by the Government. These are welcome amendments and we are prepared to accept them. This Bill also gives us an opportunity to raise certain very pertinent questions about the seriousness of the Government as regards the loan recoveries. Our friend, Shri Agarwal, was wanting to know the definition of the term 'non-performing assets'. I say the definition is very clear. The whole Government is a non-performing asset. This law was passed in 1993. Even by 1995, the Government could not come out with any statistics to confirm that they have done something to recover the loans. I was very much disappointed by the speech of the Finance Minister. He did not mention, for example, as to how much money he had collected from big defaulters, who have more than one crore of default with various banks and who are responsible for Rs. 37,000 crores which has been defaulted. What action has been taken against them? If we recall, the original law is a follow-up of the Narasimham Committee report submitted in 1991. In this 1991 report of the Narasimham Committee, a very important statement was made.

The statement was that there was a nexus between the politicians and the bank officials. We have been talking about the nexus between the politicians and the criminals, but there is also a nexus between the politicians and the bank officials. The politicians induce the bank officials and then loans are distributed like *rasgullas* in loan melas. Mr.

Janardhana Poojary, who is sitting just behind the Finance Minister, is known for his loan melas where he distributed loans like *rasgullas*. But, these loans were never meant to be repaid. These loans were given on the understanding, "You take the loan as a grant and you don't have to repay it". (*Interruptions*)

DR. SHRIKANT RAMCHANDRA JICHKAR (Maharashtra): This is absolutely wrong. These loans were meant for the poor people. (*Interruptions*)

DR. BIPLAB DASGUPTA: That is not the question. My impression is different. (*Interruptions*)

DR. SHRIKANT RAMCHANDRA JICHKAR: These loans were meant for the poor people. (*Interruptions*)

SHRI JANARDHANA POOJARY (Karnataka): Sir, with your permission, I want to say something. (*Interruptions*)

THE VICE-CHAIRMAN (SHRI V. NARAYANASAMY): Dr. Biplab Dasgupta, he would like to say something.

SHRI JANARDHANA POOJARY: I have not opened my mouth so far in this House. It was only during the Question Hour one day that I opened my mouth. I had not opened my mouth because I lost the voice of the poor, and I was defeated. I had a feeling that till I get re-elected, I will not speak about the poor. Today, you have made me open my mouth. So, I am speaking today.

DR. BIPLAB DASGUPTA: But can he make a speech?

SHRI JANARDHANA POOJARY: Yes, Yes, Sir, for the information of the House, there were recovery melas. Through those recovery melas, poor people have been paying back their loans throughout India. I have been telling them that these people are saying that you, the poor people, are not paying back the money, so you have to prove that you are paying back the money to the banks and you show that it is only the

rich who are not paying back the money. So far as the weaker sections are concerned, when they used to pay back the money, I used to give them mementoes and used to encourage them for paying back the loans. Sir, it is the Reserve Bank which has given the facts and figures to the Government of India. I will state them today. Mr. Manmohan Singh was working in the Finance Ministry then. According to the Reserve Bank, 54% of the loan given to the poor people was paid back. Another 20% of the loan was paid back on receipt of the legal notice from the banks. Yet another 20% was being paid back when their movable assets were auctioned. But so far as the rich people are concerned, their banks had to go to the courts, even to the Supreme Court. In the case of poor people, they didn't need to go to the courts. The revenue people will come immediately and they will auction their utensils and recover their money. For another four to six per cent, there was a Credit Guarantee Insurance Scheme and there was not a single paisa which was lost. So far as the weaker sections are concerned, unfortunately, there was no voice either inside the Parliament or outside the Parliament. I am charging even the Communist Party. I thought that the Communist Party people are for weaker sections. Unfortunately, you are also for the rich people. That is the tragedy of the nation. (*Interruptions*) Please don't interrupt. So far as the loan melas are concerned... (*Interruptions*) Please hear me. What was the purpose? We wanted to show it to the people that these were the schemes that were meant for them. The charge, inside the Parliament and also outside the Parliament, by people who claimed to be for the poor, was that they did not get the loans, the poor people were not being given loans and there was corruption. So, we went to the public and we were distributing loans to the weaker sections in public and there was no scope for corruption at all. I used to tell them that

this is the rate of interest, this is what you have to pay back. We used to explain to them that they need not...  
(Interruptions)

DR. BIPLAB DASGUPTA: Don't take such a long time. You have spoken for five minutes and I spoke for one minute only. (Interruptions)

SHRI JANARDHANA POOJARY: I used to tell the poor people... (Interruptions) I used to tell them that there is no security for you up to Rs. 5,000-. I had been telling them that there was no surety also. Now, today, after my departure, my dear, I should not have told you—the poorer people are asked to furnish surety and security and they are not getting loans. This is for your information.

THE VICE-CHAIRMAN (SHRI V. NARAYANASAMY): Dr. Dasgupta, kindly go to the subject.  
...(Interruptions)...

DR. BIPLAB DASGUPTA: I got only half-a-minute to speak. Out of my five minutes, he took the rest of the time. Still I have four-and-a-half minutes.

THE VICE-CHAIRMAN (SHRI V. NARAYANASAMY): You are responsible for that. ... (Interruptions)...

SHRI S.S. AHLUWALIA (Bihar): Sir, when the loan *melas* were organised, Dr. Dasgupta was teaching in London. he was not in India. That is the problem.  
...(Interruptions)...

DR. BIPLAB DASGUPTA: I hope the Prime Minister is listening to the fervent appeal of Shri Janardhana Poojary. he must have realised by now that Mr. Poojary was indeed a performing asset and he should bring him back in the Ministry. That is the appeal which he has made and I hope that the Prime Minister is listening. Coming back to the point, I entirely share the sentiments of Mr. Poojary. In fact, that was the point I was going to make. The Government has got a lot of powers

under the Bill, but how are they using these powers? Under clause 25, the Government can do one of the three things to those who are defaulters. They can attach and sell the movable and immovable property of the defaulting person. They can arrest the dependant and detain him in prison and they can also appoint a receiver to manage the property of the defaulter till the time the loan is repaid. These very strong measures are necessary to recover the debt. Unfortunately, these measures are used only against the poor loanees. You are absolutely right, only the poor loanees are touched, but the rich loanees remain untouched. The poor loanees are subjected to the stick, whereas the rich loanees are offered the carrot. This is the policy of the Government which is why this thirty thousand crores of rupees are defaulted by a very small number of people. If you take the number of loanees, then there are more loanees on the poorer side, but if you take the amount of loan defaulted, this is mainly accountable by a small number of rich loanees. Now they are all identifiable, but the Government is now taking recourse to the confidentiality clause not to disclose their names. My point is this that when somebody goes for some distance in the rural areas, he knows who has defaulted. These people have defaulted so much. As was rightly mentioned by Shri Aggarwal, the Government-owned banks are now in a very serious condition. And this serious condition is largely because of default by the big people. It is not my statement. It is the statement of the Aarasinham Committee. Despite the recommendation of the Narasinham Committee and although this law has been passed, for four years since 1991, the Government has done nothing to bring those rich defaulters to book, to realise this amount of thirty seven thousand crores of rupees which has not been repaid by very big defaulters each of who owes more than one crore of rupees. I, therefore, want

the Finance Minister of let us know whether he is going to reverse this policy of stick and carrot, whether for a change he will not start using carrot for the poorer sections and induce them to develop the habit for repaying loan and the stick for the rich defaulting loanees so that actually much of this loan is recovered. Unless this is done this is going to be a show piece only, for show on the window. This is not meant to be implemented. I don't think the Government has the political will to get it implemented because this one-crore rupees defaulters of the total thirty thousand crore of rupees are the main contributors to the funds of the ruling party. They would not dare to touch them. I am making this point here. The astrologers are saying that in six or more months time there would be elections. The Congress astrologers are deciding December as the right time for holding elections. I don't know much about it, but in any case the astrologers are deciding it. But the point is that still there is some time and I would like to see whether the Government is serious enough really to implement this so that some of these defaulters are brought to book. The Government should show some seriousness in this regard.

3 P.M.

The next point I would like to mention is about another recommendation of the Narasimham Committee.

THE VICE-CHAIRMAN (SHRI V. NARAYANASAMY): No. The last point.

DR. BIPLAB DASGUPTA: Last but one point. The Narasimha Committee made a recommendations regarding Asset Reconstruction Fund. If banks had to recover loans and the loans remain on the balance sheet, it will pose a difficulty for the banks. So, the government should form an Asset Reconstruction Fund. This would be responsible for the collection of loans. This was suggested in 1991. Now

we are in 1995. For the last four years that recommendation has been there but nothing has been done by the hon. Finance Minister to implement it. I would like to know from the hon. Finance Minister categorically whether he has any intention of implementing it.

The hon. Minister should know that somebody is sitting behind him. That is another point I wanted to make. Thank you.

THE VICE-CHAIRMAN (SHRI V. NARAYANASAMY): Thank you. Now, Shri John Fernandes.

SHRI JOHN F. FERNANDES (Goa): Thank you very much.

This Bill seeks to amend only two sections of the principal Act. They are Section 6 and 11. Though I support the Amendment Bill, I do not know why the Finance Minister came to extend only two-two years each. I do not think with this amendment the Finance Minister would have solved the problem. He may have to come to this House again after two years because he came to this House about 2 years ago. The hon. Finance Minister speaks of five tribunals but he has not mentioned as to how many presiding officers he could manage to get to these tribunals. Sir, the Presiding Officer is of the level of a District Judge. And, we know, in our country, these are millions of pending cases in our courts. In case you have to have a Presiding Officer with an age limit, the Presiding Officer has to be a sitting judge. I think, it would have been appropriate for the Finance Minister to increase the age limit to 65 and 70 years. I hope he will consider this. If not, I think, he will face the same problem and come to the House again after two years, if not earlier than that. Sir, I do not go into the principal Act because this Act has already been debated and passed in both the Houses. It is law by now. There are certain sections in the principal Act. I think, the Finance Minister should give a thought to those.

As regards Section 1, sub-section 4, the Minister has mentioned that only those cases where the due is more than Rs. 10 lakhs will go to the tribunal. What about the other cases? At least the small loan defaulters are at the mercy of the bank officials to be harassed and to be taken to court because they are outside the purview of tribunals or the appellate tribunal. I do not know what type of procedure or mechanism the Finance Minister sought to improve in these cases where small people are involved. I think, taking small defaulters to court will involve a lot of expenditure on the part of the defaulters. They are in the jurisdiction of the courts now. You will taken them to courts and you will take the big shots to the tribunals. That is my point. Again, Sir, the principal Act is silent on the pending cases in courts whether they will be transferred to these tribunals/appellate tribunals or not. It is silent. I think, the hon. Finance Minister will have some other provision to see that all such cases are transferred to these tribunals. A person who has money goes to courts not to get justice but to delay justice. We know how cases are delayed for years and years. If he loses at the district level he goes to the High Court and he goes even to the Supreme Court. In this way for years together justice is delayed and the loan keeps mounting. There are stay orders and in the process, the bank is the loser. so, I hope the hon. Finance Minister will see to it that all the pending cases are transferred to these tribunals or the tribunal. My two colleagues, Mr. Agarwal and Vayalar Ravi, did mention about blacklisting of defaulters. I do not think we have any mechanism in our laws to blacklist defaulters. I give an example of a small nation like Singapore. When any tourist is cheated there, one is supposed to make a complaint. If a shopkeeper charges him more money, that shop is blacklisted under the tourist guide.

I would like to know whether any mechanism will be evolved in our coun-

try. If there is a defaulter, his name should be published in the Press because he has the tendency to cheat the bank. If he cheats a bank in a village or in a town, he is blacklisted and then he goes to a big city and cheats the same bank. This is done with the connivance of the officials because they get the benefit of this system. We talk of confidentiality, but it should not be used to cheat the system itself. I would like to know whether any mechanism will be evolved to see that these blacklisted people are made known to the public so that they would not approach the banks. Again, there the limit fixed is Rs. 10 lakhs only. There is a tendency in our business houses to have X number of companies. Sir, every company has one signboard, the other company has one signboard and they take loans from different banks. They also take duplicate loans with the connivance of the officials. Again, with the same papers, they go to some private bank or to some co-operative bank and get loan. Unless we have a fool proof system, I think this plundering of the public exchequer, I mean, the contribution of the poor people, will go on. Unless we have some safeguards to see that these people are not protected with the veil of confidentiality this will continue. They should be exposed as economic offenders and national criminals. I do not think that anything will be done by the minister. But, he can consider my suggestions. Sir, again, the Minister has mentioned that there will be five Tribunals and there is also a provision for the appellate Tribunal to have more than one tribunal. The Minister has said that there will be an Appellate Tribunal in Bombay. I would like to know whether one presiding officer can be made to function for more than one Tribunal. I would like to know whether any mechanism will be evolved in the principal Act because they cannot make a person run from Bombay to Calcutta and put to such difficulties. Again, there is no safeguard as to the matter of prosecution. Sir, who

will be the prosecuting authority and how will the prosecution be done? I would like to know whether it will be done selectively or whether the Tribunal will have *suo motu* powers to call for evidences or documents. I do not know who the prosecuting authority will be. Sir, the banking system is very corrupt. Sir, we have many Rozgar Yojanas. None of the people are given this loan because they have no power to get the loans. This loan is denied to them. Will the Finance Minister see that soem *adalats* are there where people can go and say that such and such bank has denied them loan which is due to them? Sir, these funds are accumulating and are being loaned to the big business houses. unless we have a certain mechanism to see that the poor people in this country who contribute to the kitty of the bank are enabled to get these facilities, I do not think our system can function. I would suggest to the hon. Minister for the formation of loan *adalats* where people can have an amicable settlement of disputes relating to bank loans. The poor people will also be able to save money instead of paying it to the advocates in litigation. It can be sorted out amicably. It can be on the pattern of the Telephone Department's *adalats*. With these words, I conclude and hope the Minister will take into consideration on suggestions that I have made. Sir, I support the Bill.

**THE VICE-CHAIRMAN (SHRI V. NARAYANASAMY)** Shri Margabandhu. It is his maiden speech.

**SHRI R. MARGABANDHU** (Tamil Nāḍu): Mr. Vice-Chairman, before commencing my deliberations, I would like to place my gratitude at the divine feet of my great leader, Dr. Puratchithalaivi, a saviour of social justice, as acclaimed by Mother Teresa. Sir, I thank you for having given me an opportunity to stand before this august body to express the views of my party. Sir, this Act is called the Recovery of Debts Due to Banks and Financial Institutions act, 1993. Concern has been expressed by the other

Members even though about two years back the Act has been passed and the Tribunals have been constituted only in three places, that too, in Madras, Bombay and Calcutta. It has not been extended to any other place and it is even doubtful whether these Tribunals have started functioning. There is no use of just passing the Bill but it must be implemented. The Bill only lays down the procedure for appointing the Presiding Officers, appellate authorities and recovery officials. For the recovery, this is the only procedure for recovering these loans. What are the things that lead to these things? Sir, I would like to state that, before launching the recovery proceedings, loans have to be brought under three categories. One is, loans advanced to the industrialists, the second is, loans advanced to the agriculturists and the third would be, loans advanced to the unemployed graduates. To these three categories the loans are being advanced. Mounting loans, pending of arrears, bad debts and loans irrecoverable are there. Only from a few sections of the people, i.e. the industrial section of the people forming not more than ten per cent of this population. Thanks to the other Members who said we are advancing loans to the poor people. But they are prompt in repaying their loans whereas the big personalities, the industrialists, who borrowed money at a heavy stake do not repay it. Ultimately, they will all have to go to the court and in the court we know the proceedings are pending for years together and decades also. But we are unable to realise it. Of course, to that extent this Act will come into force, as prescribed, in six months' time for the recovery, for the filing of the proceedings. But at the same time, I make a request, Sir, that some modalities have to be formulated for recovering these loans. What are the reasons, why are the loans pending and why are they accumulating to such a large extent? It is mainly because heavy loans are advanced to the industrialists without getting the proper

surety or security. Most of the surety and the security are only on paper. But they are not realisable. Now, once they declare that they are insolvent and when the Insolvent Act comes in handy, they go scot-free. Who is the ultimate sufferer? The persons who are the depositors, the common public, who have deposited their money in the banks are the sufferers. But only a few people who bag everything go on. What are the steps to be taken against them? I request you to see that while advancing loans even to the industrialists, the repaying capacity has to be taken into consideration and the business knowledge and the experience have to be taken into consideration. Please avoid paying loans to the sick and the unviable industries. At the time, Sir, I would like to say that these banks are more than 'Itti wallas'. These are the persons who are private money-lenders charging interest at the rate of 120 per cent, just like that. Likewise, in the bank loans also, once in three months the interest is accumulated. When the compounding interest is added, just like that the interest is added and added. Even for Rs. 10,000/- loans are obtained. At the end of five or six years it comes to Rs. one lakh.

Is it not more than an 'eatiwala'? Rather, any commonman should be able to approach the bank. So, there is the compound interest of rate. Then there is the penal rate of interest, the overdue interest. Besides that, there is the collection of income-tax on the interest. Because of these factors, ultimately any person who goes to a bank for a loan to improve his business or any such thing, he is not able to repay it. I appeal to the hon. Minister in this august body that simple rate of interest can be considered in this a matter. There is no point in having the compound interest. It is very difficult to realise that. At the same time, Sir, it has to be implemented categorywise. Thanks to the previous Government, there was a subsidy of Rs. 10,000 announced by them for the agriculturists. That has not been

extended. That can be extended to the poor agriculturists who are suffering from the natural calamities. A lot of funds are locked up with the industrialists, whereas the poor agriculturists who have to toil day and night will be very much affected if the stringent provisions are enacted or implemented. Therefore, I respectfully submit to you, Sir, that some concessions, some deviations, some modalities have to be thought of in the case of this Act also while resorting to the recovery of loans.

Then, Sir, there is the provision of Tribunals. We welcome that; our Party welcomes the Tribunals. But the point is that it is centralised. It should be decentralised to every, district court centre also in the case of recoveries of these loans. Sir, when filling a suit, a person who goes to the court is asked to pay the *ad valorem* court fee of seven and a half per cent. Even the court fee and the advocate's fee also comes to a large amount. He is unable to pay it. Therefore, some thought can be bestowed on the Court Fee Act by the Central Government. The Court Fee Act has to be amended. In the case of a partition suit which involves even crores and crores of rupees, there is a fixed court fee of Rs. 200/-. That is so even in the case of an account suit or any such thing. In the case of a money suit, barring the two provisions—denial of execution and partial consideration—there is nothing available. In the case of a money suit, one has to pay the *ad valorem* court fee. That falls on the debtor. So, I request the hon. Minister through this august body to consider this amendment to the Court Fee Act as in the case of a partition suit so that it will greatly benefit the debtors and others.

Sir, I would like to mention one more thing. Most of the persons who obtain loans from the banks or the financial institutions are at the mercy of the officials of those institutions. They pay in instalments. The first instalment is paid.



Then, in the case of other instalments, if they are not amenable to the whims and fancies of those particular bank officials, that loan is somehow squeezed and that person is crushed like anything. He is not able to rise. It then leads to so many things. Therefore, let us not be a party to this thing, that a person who takes a loan is at the mercy of the person who advances the loan. Some consideration should be given to this aspect. On the other hand, we should see that when a loan is advanced to a particular industry, it is not diverted to some other purpose. To check such a thing, some sort of a legislation can be thought of. If that is done, we would be able to ensure proper repayment.

Sir, thanks to the honesty of these poor and downtrodden people in the villages—they are mostly agriculturists—after getting the loan, they repay it because their conscience would not permit them to do otherwise, whereas, this conscience is not there for the person who is granting the loan.

In this connection, we have to examine the salary structure in the banks also. The salary of these persons who are living on these profits is more than what the employees in the Central and State Governments are getting. Why should not their salary be regulated? In Madras, the photograph of a bank manager appears every day in the newspapers. He was given Rs. 3 lakhs. Where did the money come from? It is the poor man's money. But when a poor man is not able to repay the loan he had taken, he is crushed like anything.

I appeal to the hon. Minister. You should take some concrete steps. Merely bringing in this legislation would not suffice. Even though we welcome it, even though our party welcomes this, I would suggest that we should introduce summary proceedings. Only such a thing would ensure prompt repayment. Only then the objective that you have—recovery of the debts within a period of six

months that you have fixed—can be achieved. Otherwise, the application of the Civil Procedure Code and the Evidence Act would only result in the matter being dragged on.

Only one more point, Sir. This is in regard to the provision being made in this Bill to increase the age-limit. I do not know what is the necessity for increasing the age-limit from sixty to sixty-two years and from sixty-two to sixty-five years. Does it mean that there are no competent judges at the District Court and at the High Court level? What is the necessity for increasing this age-limit? It only shows that this Government has no confidence in the judiciary. Do you mean to say that there are no competent persons in the judiciary to man these Benches?

Therefore, while welcoming this, I would suggest that the basic structure in regard to granting loans and other things should be reconsidered. For this purpose, a Committee can be appointed so that it would look into these matters and recommend as to how the loans can be channelised and how the debts can be recovered.

With these observations and paying my gratitude to my great leader, I conclude. Thank you, Sir.

SHRI JAGESH DESAI: Mr. vice-Chairman, Sir, this is a very, very simple Bill. This seeks to increase the age-limit. But this has given us an opportunity to discuss the various aspects concerning the recovery of debts due to the banks and the financial institutions. I do not want to go into the policy as such, but I would touch on some aspects of our policy regarding advances and repayment.

First of all, I would like to compliment Mr. Agarwal for his very constructive approach and suggestions. In this connection, I would like to point out that when I was the chairman of the Committee on Government Assurances, we decided—because there was some assurance—that we should look into the

frauds taking place in the nationalised banks. After me, Dr. Bapu Kaldate became the Chairman of this Committee. Ultimately, the report on this was presented to the House by Dr. Bapu Kaldate. There we found—Mr. Agarwal has pointed out about this—that most of the frauds were because of the non-reconciliation of entries. Wherever we discussed the matter with the C.M.Ds. and the senior officers of the banks, we found that most of the frauds came to light because of the reconciliation. And it is very unfortunate that even up to 1989-90, only seven banks have reconciled their accounts. Now the Reserve Bank has directed that no inter branch entry should remain unreconciled for more than six months. I am sure our Finance Minister will definitely take a meeting—I would like him to take a meeting—because this is a very, very important aspect of banking and see that all this reconciliation is done immediately, because we cannot say how many frauds may be there in three, four years.

Sir, the next part is regarding the debts owed by big industries and others, especially big industries. It is good that the principal Act also was brought by you as the Finance Minister, and I compliment you for that. Still you are not able to go in the direction in which you wanted to go.

As far as recovery is concerned we want more funds for the banking system so that we can give more money as advances for our development. If you can recover loans, you can get more funds for the purpose of development and, especially I will be happy if more funds are there, because the priority sector will get 40 per cent out of that. And I am very much for that. And that is why this recovery has to be made and coercive actions have to be taken.

In the case of small persons who have taken loans from banks but have not paid back, their assets are attached. The whole town knows that this is the person who has not paid back and that is why all his belongings were attached. Why not for the big industries also, Sir? Why is consent required for that purpose? Till you file the suit the names are not to be disclosed. But, at least one good thing has been done now by the Reserve Bank. There it is given that if the amount is more than Rs 1 crore, both banking institutions and financial institutions will be given the names of those persons. That will definitely have a good effect there. In the case of a small person, if his house is attached, the whole town knows about it. But, honestly, what will people know about the big persons? Earlier also, every year your finance department was giving, in the newspapers, the names of those who paid more than one lakh of rupees by way of income tax or corporation tax. Then people could know, "Oh! Jagesh Desai's income must be more than Rs 10 lakhs, but he is paying only Rs 1 lakh as income tax and, so, something is wrong there." And some persons will give information, "This is his income; you go and find out."

Similarly, to prevent the defaulters from depriving others of their money, their names have to be published. Supposing one has taken a loan from a bank and has not paid back. Then he will go to somebody else, some money lender who is doing this kind of banking business, get money from him and again default there also. So, to prevent such persons from taking this kind of an advantage also, I strongly feel that their names have to be disclosed, and the confidentiality clause will have to go at least for defaulters. You can put a limit. Why one crore, even ten crores I don't mind. At least for Rs 10 crores and above, the names of the defaulters should be published in the newspapers.

Earlier, foreign banks had to give only 15 per cent for priority advances. I am happy that you have raised it to 30 per cent. Earlier they had to invest only 15 per cent in the priority sector. Now they have to invest 30 per cent. You have decided it as a policy. You have issued guidelines. I think, if there is a shortfall they have to invest it in the bonds of the Small Industries Development Bank of India. It is good thing. Our small scale industry will benefit by that.

At the same time, I want to make one suggestion. Just now, the Public Undertaking committee has inspected the National Small Industries Development Corporation. After visiting Calcutta, seeing its working and having a discussion in the committee, my impression is that they are doing an excellent work. They

are serving small-scale industries. Because of crunch of resources, they are not able to do better than what they are doing. I suggest that some part of these deposit receipts from foreign banks for the shortfall in their priority sector advances, should be given to this corporation. I do not know how it can be done. Both of them are in your Ministry. It should be coordinated. The small Industries development Bank is not financing the Corporation. At least, out of this amount, the Small Industries development Bank should give some advance to the corporation as a priority sector lending. If this is done, the problem can be solved. Small-scale industries are getting benefit of getting machines on hire purchase, but the Corporation is not able to do it because

	Production ('000')		% Cap. Utilin.	
1994-95	1995-96	1996-97	1994-95	1995-96

## III) Private Sec

GSFC: Baroda	268.1	262.3	272.5	113.6	111.1	115.5
CFL: Vizag	93.0	89.7	85.9	110.7	106.8	102.3
SFC: Kota	176.7	181.2	183.6	116.2	119.2	120.9
DIL: Kanpur	330.5	327.7	330.9	106.6	105.7	106.5
ZAC: Goa	224.4	253.0	227.7	113.3	127.8	115.0
SPIC: Tuticorin	378.7	383.0	339.6	122.2	123.5	109.5
NCT: Mangalore	133.8	122.3	180.9	73.9	67.6	99.9
EID: Parity: Enna	22.7	19.8	18.6	151.3	132.0	124.0
GNFC: Bharuch	382.0	387.2	363.2	111.7	113.2	106.3
DFPCL: Talaja	12.6	33.2	37.4	23.8	62.6	70.6
TAC: Tuticorin A	19.1	18.1	15.9	119.4	113.1	99.4
PNF: Nangal	15.2	16.2	14.2	95.0	101.3	89.8
HLL: Haldia	31.4	37.9	44.1	112.1	135.4	159.8
IGFCC: Jagdishpur	360.8	412.1	307.5	108.0	123.4	92.1
GSFC: Sikka	95.4	105.4	106.0	161.7	178.6	179.7
NFCL: Kakinada	310.5	325.7	329.7	136.2	142.9	144.8
GICI: Kakinada	61.2	61.3	69.6	113.3	113.3	81.8
CFCL: Gudepur	346.2	411.5	402.5	101.3	120.5	117.8
TCL: Babrala	71.9	386.6	437.2	84.1	113.2	128.0
DCF: Shahjahanpur	—	108.0	367.0	—	129.3	109.9
By-product	3.9	3.9	3.5	55.7	35.7	49.3
Total Pvt. Sector	3338.0	3946.1	4137.5	109.5	116.4	112.7
Total(I-II+III):	7945.5	8777.0	8999.4	91.2	96.9	93.3

## PHOSPHATE

	Production ('000')			% Cap. Utilin.		
	1994-95	1995-96	1996-97	1994-95	1995-96	1996-97
I) Public Sector						
FACT:						
Udyogamandal	277	32.0	27.9	92.3	106.7	93.9
Cochin-II	104.9	117.5	103.8	92.3	103.1	101.6
Total Fact	132.6	149.5	131.7	100.0	113.3	99.8
R.C.F.:						
Trombay	36.0	47.0	52.7	80.0	104.4	117.1
Trombay-IV	52.7	49.3	51.6	70.0	65.7	68.8
Total R.C.F.	88.7	96.3	104.3	73.9	80.3	86.9
MFL: Madras	110.5	123.1	126.1	98.7	109.9	112.6
PPL: Paradeep	323.9	281.9	216.5	97.8	85.2	65.4
HCL: Amjhore	4.4	6.4	4.6	14.7	21.3	15.3
PPCL: Saladidura	27.4	29.0	33.7	65.2	69.0	80.2
SSP Units	4.5	4.5	4.5	34.6	34.6	34.6
	—	—	1.7			
Total Pub. Secto	692.0	690.7	623.1	87.4	87.2	78.3
II) Coop. Secto	377.3	360.7	350.4	122.1	116.7	113.2
III) Private Sec						
GSFC: Baroda	59.6	67.3	71.5	119.2	134.6	143.9
CFV: Vizag	98.0	99.5	111.2	94.2	95.7	106.9
ZAC: Goa	88.0	81.4	103.7	79.3	73.3	93.4
SPIC: Tuticorin	193.7	171.1	143.7	101.4	89.6	75.2
MCF: Mangalore	47.2	38.8	60.0	74.9	61.6	94.5
EID Parry Ennora	28.4	24.8	23.2	149.5	130.5	122.1
GNFC: Bharuch	29.9	30.0	27.6	90.6	90.9	84.1
DFPCL: Talaja	12.6	33.1	37.4	23.8	62.5	70.6
HLL: Haldia	80.3	97.0	112.3	113.1	136.6	159.3
GFCL: Sikka	243.8	269.3	271.0	162.5	179.5	180.7
GFCL: Kakinada	156.5	156.7	172.5	113.4	113.6	79.3
SSP Units	385.6	437.6	448.3	52.2	59.3	60.7
Total Pvt. Secto	1423.6	1506.6	1582.4	82.7	87.5	87.9
Total (I+II+III):	2492.9	2558.0	2555.9	88.3	90.1	88.0

of the crunch. of resources. So, I am making this suggestion. You examine this. I am personally convinced that if it can be considered as priority sector advance by the Small Industries Development Bank, that problem will be solved to a great extent.

Sir, as far as nationalised banks are concerned, before nationalisation, only 14 per cent advances were to the private sector. Now it is 40 per cent. As such, advances of the nationalised banks to the private sector have been maintained. Your are now increasing the scope. I am happy about that. At the same time,

corrective action has to be taken against big industrialists who are nonrepaying the debts to banks.

I am making one suggestion for this purpose for your examination. I am putting a debt-limit to Rs.10 crores. You can put a limit of Rs. 5 crores or Rs. 10 crores, whatever it is. Suppose a company is in default. If a Director in this defaulting company is : Director in some other company also, the other company also should not be given any loan. Then, they will come around. I will repeat what I want to convey. Suppose a company is a defaulter of a bank or a

financial institution of more than Rs. 10 cores. If a Director of the defaulting company is a Director in some other company or he has his own organisation, they should not be given any loan. If this is done, I think, they will think ten times to have such Director who are in the habit of defaulting repayment to the banking sector.

As far as frauds are concerned, I think, if there is a fraud of Rs. 1 crore or Rs. 2 crores—I don't remember it correctly—it has to be reported to the Finance Ministry. Similarly, if Rs. 1 crore is to be written off in the books of accounts. I think, it must be reported to you or to your Department. If it is investigated whether it was a deliberate attempt of the Management and the industrialists not to pay this kind of loans that were taken, then many of the frauds can be eliminated. I think the time has come to investigate the big transactions where the industrialists and the Management have colluded with the bank officials to have these big transactions. such shade transactions amounting to one crore rupees was monitored by your Banking Division. If such transactions are investigated and proper action is taken, I think in future they will think ten times before trying to defraud the banks. With these words I support the Bill. I am sure if my suggestions are considered proper, the hon. Minister will look into them and try to take remedial measures.

**THE VICE-CHAIRMAN (SHRI V. NARAYANSAMY):** Mr. Gurudas Das Gupta. I would like to remind you that your party time is two minutes. You may take a little more time.

**SHRI GURUDAS DAS GUPTA (West Bengal):** If it is two minutes, then I am not taking part in the Debated.

**THE VICE-CHAIRMAN (SHRI V. NARAYANSAMY):** This was decided in the Business Advisory Committee.

**SHRI GURUDAS DAS GUPTA:** In the Business Advisory Committee it was

also decided that the Members who want to speak will be allowed to speak.

**THE VICE-CHAIRMAN (SHRI V. NARAYANSAMY):** That has not come to my notice. Gurudas Das Gupta, I am reminding you of your party's time. Don't violate the rule. Kindly speak. Don't waste time.

**SHRI GURUDAS DAS GUPTA:** Sir, I support the Bill. While supporting the Bill, I would like to put before the House a number of serious ominous developments that are hostile to the national interest are taking place. There has to be a safeguard to ensure that in the name of recovery unusual compromise is not made. My first point is that a large percentage of India's commercial borrowing is bad. It is for the hon. Finance Minister to let us know, but according to my calculation it is not less than 35 per cent or 40 per cent of India's banks' commercial lending which has been found to be not according to the norms and so, in a sense, it cannot be very easy for the banks to recover them. Therefore, in a sense, the irrecoverable or sticky advance constitutes a large part of the banks' lending. Why is it happening so? We have been raising this issue of delinquent bank advance on the floor of the House. When some other persons were holding the Finance Ministry, the Governments at that time had always been telling us that banks' money is people's money. therefore, the most judicious use of the scarce resources will be the policy of the Government. But the Government's policy has not changed. Why I say the Government's policy has not changed is because the percentage of irrecoverable advance or bad advance or sticky advance, or questionable advance or advance not according to norms has not been coming down and the hon. Finance Minister had come to the rescue, because we have been giving money from our own exchequer, from the Budget, to make up the loss the banks had been making. This

is where the interest of the country is jeopardised.

I welcome the move of the Government to initiate measures for the recovery, but what does it mean? Does it mean that while going in for recovery, banks will make undue concessions to industrial houses, banks will make undue concessions to political leaders, banks will make undue concessions to different parties, who enjoy important connections in the corridors of power? This is not an allegation. This is a statement of fact, because I am armed with facts... to say that a particular bank has given an undue concession to the wife of the Minister of State. She was a beneficiary. I had brought the entire matter to the notice of the hon. finance Minister because on the bank's paper it has been written that such a concession had been given to such a lady who happens to be the wife of a Member of the Council of Ministers. If this type of concession is being given, then, how to ensure—in the name of recovery of outstanding dues—the interest of the bank is not jeopardised? There are a number of other instances too.

Recently, a particular Calcutta-based bank has given undue concession to a particular industrial house. I had written to the hon. Finance Minister against that particular errant bank. The examples are not just a few, there are many examples. Therefore, on the one hand, advances have been given and on the other hand, in the name of recovery undue concession has been given. I would like to know what the remedy is. The only system in the bank is that the Board of Directors or a small committee would decide whether a particular decisions or a compromise is in the interest of the bank or not. There is no other supervisory body.. *(Interruptions)*.. I am not yielding. If this is the situation, then, the national interest is going to be sacrificed. I

Act. But, in the meanwhile, we have taken measures to refer about 1,306 cases

involving an amount of Rs. 1,360 crores. They have been referred to the five tribunals that we have set up.

Sir, some very important issues have been raised with regard to the functioning of our banking system, particularly with regard to the inter-branch reconciliation. This has been a matter of grave concern to me on several occasion.

On several occasions, I have discussed it with the Governor of the Reserve Bank. I have also instructed the Boards of the nationalised Banks that this item will remain permanently on their agenda till the amount of unreconciled entries is reduced to the minimum. At my instance, the Reserve Bank has now laid down a time table, which is as follows:

(i) Entries outstanding up to March 1994, have to be reconciled by December 1995.

(ii) Entries outstanding up to March 1995, will have to be reconciled by March 1996.

(iii) entries outstanding from April 1995 to September 1995, will have to be reconciled later by June 1996.

(iv) In respect of entries from september 1995 onwards, reconciliation will have to be completed within six months on an on-going basis.

So, we have now laid down targets. We will monitor the progress of each bank and as I have said, I have instructed all the nationalised Banks that this item will remain permanently on the agenda of their Boards at every meeting, and that at every meeting, that Board will have to review the progress that has been made during the intervening period, to deal with this matter. I do share the concern of Shri Agarwal and other Members who have spoken on this subject that unreconciled entries give scope for frauds and that it is incumbent on us that we should take effective measures to deal with this problem. That is one thing

which I am very happy to share with this House.

Sir, Shri Agarwal raised the issue of the Regional Rural Banks. The regional Rural Banks have been also a matter of grave concern. These Rural banks were set up with great expectations in 1976. They were meant to fill a void, a gap, which existed in our rural banking system that needs of small and marginal farmers were not being effectively attended to. A major basis of the establishment of the Regional Rural Banks was that the normal commercial banking, with their salary scales, could not be of much help in rural areas. We needed a banking system which was cost effective, which would pay the salaries which are payable to the employees of the state Governments, Sir, for some time, the system functioned well. But the employees of these banks agitated and an Industrial Tribunal was set up in 1990. That Tribunal gave an award that these banks will also have to pay the same wages and salaries as are payable by the commercial banks. After that, the additional burden has arisen. I am not saying that is the only factor. But that is one of the factors where the viability of these banks have been seriously affected. In the last two years, I have been making serious efforts to revive these banks. Last year, the Government of India rehabilitated forty-nine Rural Banks by cleaning up their balance sheets. This year also, we are hoping to clean up the balance sheets of more banks to gain from the experience of last year to see why some banks are doing well, what lessons can be learnt from those which are doing well. Meanwhile, we have given these banks some concessions. They have been given a greater degree of freedom in lending to the non-target group to improve their profitability and this is another area where efforts are being made. I hope that in the next two, three years, the rehabilitation of the Regional Rural Banks will also be completed.

**The Vice-Chairman (Miss Saroj Khaparde) in the Chair**

Madam, with regard to the issue of defaulters, several hon. Members have raised this issue. This matter has come up several times in this House and I have mentioned that as first step towards greater transparency, all accounts where the amount of default exceeds Rs. one crore....

....these lists have to be circulated among all the banks by the Reserve Bank. Also where there have been suits filed, all those cases involving above Rs. 1 crore the Reserve Bank will have to publish. So, that is the step forward. This is not a complete answer. But here too we will learn by experience. We have taken the first initial step to move towards greater transparency. I do not rule out further steps in the light of experience.

Sir, several Members have also referred to the fact that many groups operate more than one industry. Some industries are sick and some are healthy. The Reserve Bank had tried to implement in the last few years the concept of group approach that is, if a particular industry, which is being run by a group is unhealthy and that industry has become a defaulter, then that group's other factories would not be able to borrow from the banking system. I will be honest with you that there are practical difficulties here. If we follow this thing blindly, there will be an effect on employment. Now several people have come to me, even trade union people have come to me, and said that because of this rigid insistence that you would not give money to another company, there would be great unemployment consequences. So, we face this dilemma. We are implementing this group concept but with adequate degree of flexibility. If we introduce a high degree of rigidity, one has to face the consequences of employment situation. In a country if employment is not growing fast enough,

one cannot take light-hearted decisions which would lead to large-scale unemployment.

With regard to non-performing assets, I would respectfully submit, Sir, that in the last four years we have taken major steps in this area. Before our Government came to office, there were no credible rules of the game to determine what constituted the non-performing assets. We have, for the first time, accepted internationally approved norms for income recognition, capital adequacy and provisioning and the result is that you have today the bank balance-sheet far more transparent than ever before. We have given our banks three or four years in which these various provisioning norms and capital norms have to be implemented. A bank's balance-sheet would reflect much more faithfully the state of the bank than was the case before. But I do agree that non-performing assets are a problem. If you look at the profits and the balance-sheets of 1992-93 and 1993-94, I think it will be obvious to any objective observer that while the absolute figures of non-performing assets may be large, as a proportion, they are gradually coming down. I am confident that if we persist with what we are doing the proportion of non-performing assets would come down. The international norm in this regard is not more than 7%. We are far away from that norm. But this is a by-product of the last 25 years or 30 years. All this cannot be done overnight. But we have to be persistent. I am glad that all the sections of the House are unanimous that we cannot afford to have a banking system with such a high non-performing

do not want to raise specific questions because I will raise specific questions elsewhere. This is not the time for that. But, as a matter of principle what is the preventive step you are going to take to ensure that a bank's chairman or a bank's general manager or a particular politician does not take advantage of the scheme of the Government for speedy recovery of

the loan? What is the guarantee? If this guarantee cannot be given, a systematic shape, what is the use? We want a systematic set-up. There has to be a set-up in the system. The hon. Finance Minister is fond of speaking about the system. It is the man who runs the system. There have been innumerable failures. Therefore, there has to be some sort of a safeguard in the system itself to ensure that the percentage of the sticky advances does not increase, in the name of recovery political patronage is not given, in the name of recovery the interest of the bank is not sacrificed, and in the name of recovery, a particular group or industrial house is not shown favour. These are very important points. I request the hon. Finance Minister to kindly respond to these points. There has been too much of politicisation of things. I can speak for hours on too much of politicisation of things. There have been innumerable instances. There has been a telephone call from Delhi asking a particular officer to grant loans to somebody. A particular Member of the Council of Ministers while on a foreign visit asked a particular bank to give a loan to his own brother. There have been innumerable instances. As the hon. Finance Minister is also constantly lobbying, I am sure he will not be able to speak out his mind because he is a part of the Government. An intense lobbying is being carried on and because of an intense lobbying that is being carried on it is very difficult for the system to function. What is the safeguard? I wish the hon. Finance Minister told us the safeguard for the future.

**THE VICE-CHAIRMAN (SHRI V. NARAYANASAMY):** Shri Digvijay Singh. Not here. The hon. Finance Minister would reply.

**SHRI MANMOHAN SINGH:** Mr. Vice-Chairman, Sir, I am very grateful to all the hon. Members who have spoken on the Bill and supported these two small amendments which I have brought for consideration of this House.



Like my other colleagues, I should like to compliment Shri Satish Agarwal who set the tone. In his introductory remarks, he has covered very pertinent and cogent issues. These are the issues with which I have been grappling ever since I became the Finance Minister. I cannot claim that I have had a hundred per cent success. But I would like to share with the House the progress we have made. I am happy to report that we had set in motion a process to deal effectively with these types of deficiencies, grave deficiencies, in the functioning of our banking system. But we can never be satisfied with the *status quo*. We have a long journey ahead of us and we have to be alert and vigilant which I promised to the House. We shall maintain that vigilance and alertness.

Sir, this Amendment Bill became necessary because although we had decided to set up 10 tribunals, despite correspondence and personal contacts with the hon. Chief Justices of various High Courts and other dignitaries in the judicial world, we were not able to attract people of requisite qualifications. And suggestions came that we should make the posts a little more attractive in terms of the age of superannuation so that we would be able to attract the number of presiding officers of the tribunals which we wanted—persons qualified to be district judges. The presiding officers of the appellate tribunals have to be persons qualified to be judges of a high court. Therefore, we have increased the age of superannuation of the presiding officers of the tribunals from 60 years, which is the normal age of retirement of a district judge, to 62 years so that some people may have an attraction to come there. Similarly, while the retirement age of a high court judge is 62 years, we have made the retirement age here 65 years in the hope that some people will be attracted to take on this onerous responsibility.

SHRI R. MARGABANDU: In the case of the State Finance Corporation Act....(Interruptions).

THE VICE-CHAIRMAN (SHRI V. NARAYANASAMY): Let the Minister complete his reply. I will give you a chance to make your point after that.

SHRI MANMOHAN SINGH: With regard to the progress of recoveries after the setting up of these tribunals, as I said, we had difficulties in the initial establishment of these tribunals. Once the tribunals got established, we had to face a litigation in the Delhi High Court. The High Court Bar Association went in appeal to the Delhi High Court and the Delhi High Court struck down it as *ultra vires*. I think that interfered with the progress of the work of some of these tribunals. We took immediate measures and the Supreme Court vacated the stay. But the Supreme Court will have again an opportunity to look into the constitutionality of the

assets. If we have such non-performing assets, it means that only about 60% to 65% of the banks' lending earn interest. If that is the case, the banks cannot pay their depositors an adequate amount of interest and if the banks cannot give adequate amount by way of interest, the banking system will not be able to attract deposits. Today in our country there are 39,000 financing companies. They are competing with the banks for deposits. Therefore, if the banks' interest rate is not competitive, the role of the banking system, as a servant sympathy, as a means of helping our social and economic development will be in jeopardy. So, I am glad about the support that I have received in this august House that everything should be done to reduce and, ultimately, to eliminate the non-performing assets. Shri Vayalar Ravi referred to the problems of small borrowers. Mr. Poojary is not here. Mr. Poojary was the

4 P.M.

Minister of State. I served under him as Secretary just as I served under Shri Agarwal. I share Mr. Poojary's concern for small borrowers. I really mean it. I think Mr. Poojary's concern for small

borrowers and what he did to help the small borrowers was truly very impressive and there is no going back on that obligation. Our Government will insist that at least 40 per cent of bank credit is earmarked for the priority sector. As Shri Jagesh Desai pointed out, we have, in fact, enlarged the amount of the priority sector lending because, as I said, the foreign banks also, instead of 15 per cent, have to earmark 30 per cent of their credit for the priority sector. If they cannot lend directly because they have a very small number of branches—they do not have branches in the rural areas—then they can lend that money at a fixed rate of interest. Therefore, we will persist with that. There is no question of forgetting our obligation to the rural areas. As I said when Shri Vayalar Ravi was speaking, we have not closed down and we shall not close down any branch in the rural areas. We recognise that banking in this country has wider functions. It has to make profits but that concern has to be married to our banks, remaining, at the same time, as a vehicle of promoting social and economic development of our country. There will be no reneging on that commitment.

Dr. Biplab Dasgupta referred to an asset reconstruction fund. I have stated on many occasions that although this was the recommendation of the Narasimham Committee, on reflection, on discussion, with the Reserve Bank of India and many other authorities, I came to the conclusion that it would not be proper to set up such an asset reconstruction fund because in the language of the economists there is such a thing as moral hazard. If you create a system, if every time you create a bad debt and somebody else takes care of that, then the banks will not be vigilant to see that they do not create a situation where their debts become bad. I want the banks, where there are non-performing assets, to continue to worry about recovery. Therefore, the creation of a separate asset reconstruction fund, in my view, would be counter-productive. It

would weaken the recovery discipline. Therefore, I have come to a considered conclusion that it would not be desirable to proceed with it.

There is a saying in economics that if you have a distortion, you must correct it at source and if you don't correct it at source, the realities do not function. If the problem of the non-performing asset is because of the bad lending, bad supervision, then we must deal with those issues at source and that is what I am trying to say, wherever there are large non-performing assets, the bank management must be constantly reminded that it is their duty to get rid of these non-performing assets.

I think I have covered most of the points. One point that Shri Gurudas Das Gupta made was that in the name of recovery, don't create a situation where undue concessions are given to big people for reasons connected with political influence.

I can assure him that we are very vigilant in this respect. But I don't believe that for all the problems, the solution lies in concentrating all the powers either in the Ministry of Finance or in the Reserve Bank. I feel that if we have institutions like the Boards of Directors of the banks, if we have Chairmen, we must appoint people who are men and women of integrity. There should be management committees which regularly look into the write-offs and compromises. I have told the Reserve Bank that when they go and inspect the banks on a sample basis, they should inspect whether these things are being done properly or not. I would be very frank to view a country as large as ours, a banking system as large as ours where we have four-five joint Secretaries in the Ministry of Finance—and they spend most of their time answering the Parliament Questions—I do not think I have the resources to take on this job. I feel that the only way to do this is to trust our people and, at the same time, to have the *ex post facto*

system of checks and balances and of supervision. That is what we are trying to do. With these words, I once again thank the hon. Members who have spoken on the subject. They have spoken with a high sense of national purpose. I have certainly gained from this debate and I thank them. Even though I do not have the time to deal with each and every point now, I have taken note of them. I have been impressed by the high quality of debate, the amount of unanimity that exists on this subject. I think this augurs well for the future of our banking system. I once again thank all the hon. Members.

**SHRI GURUDAS DAS GUPTA:** Madam, may I ask a question? I do not want to embarrass the hon. Finance Minister. I have faith in him since he has faith in the system. But what is the safeguard because he knows more than anybody else as to how many complaints were brought to his notice, including a complaint involving his own colleague. I think he has not forgotten it and he is still there in the Government, maybe, in the same Ministry. Therefore, may point is that if such things are happening in the banks and if the banks do it in order to appease people in high power, then what is the remedy? If these things go on happening on a very large scale, what is the remedy? It is not always very good to have faith in one man. That man also can commit a wrong. In that case, what is the remedy?

**SHRI MANMOHAN SINGH:** I have already answered that question that it is the responsibility of the Boards of Directors and beyond that, when the Reserve Bank undertakes inspection of various banks—we have an annual inspection report—on a sample basis, the Reserve Bank should look into these matters. If any complaints are brought to our notice, we shall also look into them. If am not saying that all is rosy and that there are no such complaints. But I can faithfully say that all this talk of political influence, as far as the Ministry of Finance is con-

cerned, is blown out of proportion and it has been my effort for the last four years that I have been the Minister of Finance, to minimise to the maximum extent possible any extraneous influence on the banking system with regard to any write-offs or compromises.

**DR. BIPLAB DASGUPTA:** Madam Vice-Chairman, may I ask two questions?

**THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE):** Now, Mr. Margabandu.

**SHRI R. MARGABANDU:** Madam Vice-Chairman, the present amendment Bill also deals with the Presiding Officers. The question to be decided by the Tribunal does not involve any legal issue. The question it decides is about the money claims only. This is already being done by the Sub-courts and the District Munsif courts under its pecuniary jurisdiction. Even the Subordinate judges can be designated as members of the Tribunal because in the case of the Co-operative Societies Act, a separate Tribunal was formed and the Tamil Nadu Government, after experiencing various difficulties, had disbanded the Co-operative Tribunals and conferred those powers upon the District Judges to decide those cases.

Likewise, in the motor accident tribunal and other tribunals, the subordinate judges are designated as tribunal judges. Even in the case of the State Finance Corporation, the District Judge is empowered to decide those matters. So, instead of thinking of constituting the Tribunals and appointing the Presiding Officers and, again, thinking of the competency of the judicial officers, I feel that, in the interest of justice, every Subordinate Judge in the lower level can be designated as the Presiding Officer.

**DR. BIPLAB DASGUPTA:** Madam, I have two very quick questions. As I mentioned, this Act provides for some quite effective modes of realising the debt from the defaulters. I would like to know whether any attempt has been made to

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use those against the big defaulters-- defaulters with more than one crore of rupees. For example, how many of those big defaulters have been proceeded against for attachment and sale of their property? How many have been arrested and detained? For how many of those defaulters have Receivers been appointed for the management of their property? This is a specific question about the implementation of clause 25 in relation to the big defaulters.

The second question is related to the point raised by Mr. Janardhana Poojary. He was making the claim that he always fought for the small loanee. The Finance Minister also conceded this point and said that Mr. Janardhana Poojary did fight for the small loanee. But the fact remains that after five years

of Mr. Janardhana Poojary, the 1991 Narasimham Committee Report came out with a very serious allegation in its very first part, saying that one of the reasons why these banks are having serious difficulty in making their ends meet is the political influence of the bank officials and that the loans were given recklessly. Now, how these loans were given recklessly during the time of Mr. Poojary has not been explained. So, although Mr. Poojary has claimed to be championing the cause of the small loanee, the fact is this, that the big loanees prospered during his period. And, that has been pointed out by the Narasimham Committee report, 'Nexus between the politicians and the bank officials', who were forced to lend to the customers nominated by the politicians. These are the two points on which I would like to have the answer from the Minister.

SHRI MANMOHAN SINGH: The first question that the hon. Member... (Interruptions)

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Mr. Minister, I would just like to request you to let other Members also seek their clarifications and then you can give your reply.

Dr. Jichkar, you have made a request for speaking on this for five minutes. I will give you the permission to seek clarification on this.

DR. SHRIKANT RAMCHANDRA JICHKAR: Madam, the hon. Minister has very rightly said that men with integrity should be appointed as Chairmen and Directors and that the Reserve Bank, during its routine inspections and yearly inspections, will find this out. But, Madam, there are cases in which people, who have been found to be guilty, are continuing as Chairmen of banks. I have in my hand a report from the Reserve Bank of India. The Reserve Bank of India, in February 1994, appointed an IAS officer to inquire into the irregularities committed by the then Chairman and Mg. Director of the Bank of India Financial and the Bank of India Mutual Fund. The IAS officer submitted this report on the 24th of August, 1994. The Reserve Bank of India suppressed this report. This report was lying under a file which was three feet high. This report was lying under a pile of papers. Now, the person who has been found guilty in this report, Mr. A.T.R. Panneerselvam, has been appointed as the Chairman of the Union Bank of India and he continues to be the Chairman of the Union Bank of India. There are allegations against him that he has lot of money in the Swiss banks. He is continuing his corruption in the Union Bank of India. So, I would like to know as to how... (Interruption)

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Mr. Jichkar, I just would like to request you not to go on levelling allegations against the officer, because he is not here and... (Interruptions)

SHRI GURUDAS DAS GUPTA: Why, Madam?

SHRI DIGVIJAY SINGH (Bihar): He has every right to do so, Madam. (Interruptions)

**DR. SHRIKANT RAMCHANDRA JICHKAR:** Madam, I had given notice... (Interruptions) Madam, I had given notice to the Deputy Chairman yesterday morning, alongwith the copy of the report, that I will be taking the name of that officer. Thank you, Madam.

**श्री संघ प्रिय गौतम (उत्तर प्रदेश):** उपसभाध्यक्ष महोदया, हमने विधेयक का तो स्वागत किया है लेकिन मंत्री जी मैं आपका ध्यान चाहूंगा। मेरे मन में एक संदेह बढ़ा गहरा घर करता जा रहा है। एक तरफ भारत सरकार ने गरीबों के लिए, ग्रामीण विकास के लिए, शहरी विकास के लिए अनेक कल्याणकारी योजनाएं बनायी हैं और अरबों-खरबों रुपया गरीबों के उत्थान के लिए, उनके रोजगार के लिए और उनके कल्याण के लिए देने का प्रावधान किया है लेकिन सारे देश में शिकायत यह मिली है कि बैंक गरीबों के लिए पैसा नहीं देते हैं और यह कहते हैं कि इसकी वसूली नहीं होती है महोदया, ग्रामीण विकास बैंक इसलिए खोले गए हैं कि ग्रामीण विकास हो लेकिन ग्रामीण विकास बैंक बंद किए जा रहे हैं। तो कहीं ऐसा तो नहीं होगा कि इस विधेयक के बाद बैंक कहीं बिल्कुल पैसा देना बंद कर दें और वह सारी योजनाएं ठप्प हो जाएं जिनसे गरीबों को सहायता मिलती है, जिससे उन्हें अनुदान दिया जाता है, रोजगार मिलता है, जिसकी सरकार ने गारंटी दी है। कृपया मेरे संदेह को दूर करें और इस संबंध में स्पष्टीकरण दें।

**श्री दीपांकर मुखर्जी (पश्चिम बंगाल):** गरीबों के साथ पब्लिक सेक्टर भी जोड़ दीजिए।

**SHRI SURINDER KUMAR SINGLA** (Punjab): I would like to compliment the hon. Finance Minister for adopting new policies for strengthening the Indian banking industry. The crux of the matter is that today the Indian banks are really moving towards lesser and lesser non-performing assets (NPA). We visited almost every bank in the country as a Parliamentary Committee and we came to know that now every bank is really moving towards lesser and lesser NPA. My friends from the Left are advocating for more policing of financial institutions. I consider it very dangerous. If you allow autonomy to these financial institutions, then they would function better and un-

due interference from any quarters, whether it is from bureaucrats or from politicians, is unwelcome and should be curbed. But the way you want to run these financial institutions with policing and vigilance departments, it will really impede the growth of banking industry in general and financial institutions in particular. The people who profess by the public sector ideology, in fact, advocate exactly the opposite, to destroy the public sector undertakings. Well, that is their game and it is up to them. The more they talk about public sector undertakings, the more autonomy they want to destroy. My plea to the hon. Finance Minister is that with the new changes in the Economic Policy, the old regime of controls has to go. Give them total autonomy and freedom and they will produce according to commercial judgment; a marketing judgment produces better results. If I have to quote facts about what I am saying...

**SHRI DIPANKAR MUKHERJEE:** I would also like to react.

**THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE):** We already have a discussion on this. Mr. Singla, come to the point.

**SHRI SURINDER KUMAR SINGLA:** My question is obvious. I would like to know whether the hon. Finance Minister would like to know whether to consider more autonomy and more freedom and not more policing so that the NPA automatically goes down. I can quote a number of banks in my area whose NPA is of international standards. The hon. Finance Minister mentioned about 7% NPA, but I can quote a bank which has NPA less than this and that bank is the Oriental Commercial Bank. The banks which are operating in the eastern part of our country, i.e., in Calcutta, their NPA is the highest. Who interferes there? My question is whether the Finance Minister would go in for providing more autonomy to the banks which will be the right solution.

SHRI DIPANKAR MUKHERJEE: Madam, I can also quote a number of NPA cases that have been taking place. (*Interruptions*)

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): I am not allowing a discussion on this. Do you want me to allow a discussion on this? (*Interruptions*)

SHRI DIPANKAR MUKHERJEE: I can quote cases. I can also cite cases where compromise by compromise NPA has been reduced. I just want to put it on record. I am not taking even two minutes. (*Interruptions*)

THE VICE-CHAIRMAN (Miss Saroj Khaparde): Thank you.

SHRI MANMOHAN SINGH: Madam, a number of questions have been raised. The hon. Member from Tamil Nadu referred to the appointment of a special tribunal precisely because the normal process of judiciary was time consuming. Judges being preoccupied with a lot of other work, we felt that a designated judge, exclusively looking after the recovery, would expedite the whole process of recovery and, therefore, that is the original spirit behind this legislation. I respectfully submit that this should be given a fair trial before we tinker with it.

Shri Biplab Dasgupta referred to the implementation. I have already mentioned that although we had set up five tribunals, we could not make much progress because soon after the Bar Association of Delhi went to the High Court, there was an extensive litigation.

They got the Act declared void and we had, therefore, to go to the Supreme Court. I do not have with me the figures of how many cases have been decided. All that I have before me, as I have mentioned before, is so far 1306 cases involving an amount of Rs. 1360 crores have been transferred to these five tribunals. Beyond that I do not have the information. If some of these

Cases have been decided I will pass all that information to the hon. Member.

With regard to the political connections, I do not want to go into that territory. Much can be argued. It has been my honest effort to minimise the amount of this sort of influence and I would say, sometimes influence is not bad. I have Mr. Gurudas Das Gupta bringing to me the problems of sick units. I do not think that is a political influence; it is influence with a right purpose. If I can do something in those areas where there are genuine people's representatives bringing to my notice genuine needs of our people, I do not think there is anything wrong with that type of political influence. I think one must distinguish between the right type of political influence and the bad type of political influence. My attempt is to encourage the right type of political influence, and not the other.

The third question Gautamji raised was with regard to the future of the rural banks. I have categorically stated that our Government has no intention of closing any rural branches either of the nationalised banks or of the State Bank of India. As far as the Regional Rural Banks are concerned, we will rehabilitate them. They are in a bad shape now. Already, last year, we have rehabilitated 49 out of 196. A programme is underway to rehabilitate the rest in the next two to three years. We owe it to our people and we will not forget the needs of agricultural credit of the rural areas, and of farm credit. There should be no apprehension on that score.

Singlaji raised the issue of autonomy. Certainly, it is our policy and, I think, in the long-run in a country as large and diverse as India, if we have to have a public sector which is viable, which is flourishing, I think, our public sector managers in public sector enterprises must have adequate degree of functional autonomy. I think, we cannot run the public sector units from Delhi and, therefore, the functional necessity of giving the

public sector utmost functional autonomy is required. That applies to banks also. These have to function within the framework of transparency. There has to be adequate accountability. Banking being a very sensitive sector, there should be prudential supervision and that is why the Reserve Bank is there to provide prudential supervision of the banking system.

With no prudentials, outside supervision can be a substitute for self-policing. I have seen only a few days ago a report published by the British Government with regard to what happened to the Bearings, a very ancient merchant bank, which suddenly evaporated. The moral of this is that if internal control systems are not functioning, you may have a very fine outside supervision system. But, in a world that is so complex, where billions and billions of dollars flow across the exchanges overnight, I think no amount of external supervision is a substitute, essential though it is for good house-keeping, for strengthening internal control mechanism. So, we have to walk on both legs. We have to strengthen the internal control system mechanism. At the same time, the Reserve Bank has to be alert to see that we have a proper supervision system and that our banks function subject to prudential regulations. That is the broad approach, Madam, that we have for dealing with the problems of our banking system. Thank you very much, Madam.

**THE VICE-CHAIRMAN (MISS SAROJ KHAPARADE):** Now, the question is:

"That the Bill to amend the Recovery of Debts Due to Banks and Financial Institutions Act, 1993, as passed by the Lok Sabha, be taken into consideration."

*The motion was adopted.*

**THE VICE-CHAIRMAN (MISS SAROJ KHAPARADE):** We shall now take up clause-by-clause consideration of the Bill.

*Clauses 2 and 3 were added to the Bill. Clause 1, the Enacting Formula and the Title were added to the Bill.*

**SHRI MANMOHAN SINGH:**  
Madam, I beg to move:

"That the Bill be passed."

*The question was put and the motion was adopted.*

## GOVERNMENT MOTION

### Draft Agriculture Policy Resolution

**THE MINISTER FOR AGRICULTURE (SHRI BALRAM JAKHAR):**  
Madam, I beg to move:

"That this House do consider the Draft Agriculture Policy Resolution (as modified) laid on the Table of the House on the 14th May, 1993."

उपसभाध्यक्ष जी, आप लोगों की कृपा हुई जो दो साल के बाद आपने समय निकाला। जैसा कहते हैं कि कुफर टूटा खुदा खुदा करके, आपकी कृपा हुई। यह बड़ी कृपा है। बृहत दिनों से यह आशा थी कि आप कुछ आंख खोलेंगे और आपने कृपा आज की है। हर एक चीज का शायद समय होता है। बहुत दिनों से यह ख्याल था कि हम ऐग्रीकल्चर पालिसी, कृषि निति का निर्धारण करेंगे और उसके लिए पहले काफी समय से, एक नहीं दो नहीं, पहले भानु प्रताप सिंह कमेटी और फिर जोशी कमेटी बनी। फिर एक चीज आई और फिर वापस चली गई। उसके पश्चात आपने यह जिम्मा मुझे दिया। मैंने सभी साधियों को, सभी एक्सपर्ट्स को बुलाया फार्म डीलर्स को बुलाया साइंटिस्ट्स को बुलाया। जितने भी साथ मुझे मिल सके उन सब के साथ सलाह-मशविरा करके, विचार करके हमने एक छोटा प्रारूप तैयार किया...

**श्री संघ प्रिय गौतम (उत्तर प्रदेश):** किसानों को भी बुलाया या नहीं?

**श्री बलराम जाखड़:** सब को बुलाया, फार्मर्स को बुलाया। जो भी किसानों की संस्थाएं थीं उनको बुलाया। जो अपने को ऊंचे फारवर्ड किसान मानते हैं, उनको भी बुलाया। मैंने कहा कि आइए इसमें हमारे ज्ञान में वृद्धि कीजिए यह पालिसी मेरी और आपकी नहीं है, किसी एक पार्टी की नहीं है, बल्कि यह सब किसानों की