

LOSS OF LIFE AND PROPERTY DUE TO HEAVY RAINS IN GUJARAT

SHRI GOPALSINH G. SOLANKI (Gujarat): Madam Deputy Chairman, I want to bring to your notice this particular Special Mention. There were rains on the whole of Gujarat State, recording from four inches to seventeen inches in 24 hours. All the dams were over-flooded. Not only that, hundred people have lost their lives and 50 000 livestock have been drowned in the floods. Many villages are still out of communication in the State. Particularly Panchmahal district is cut off from communication, especially from the point of view of surface movement. Telecommunication and rail services are also badly affected. The railway line between Dohad and Bharuch is also damaged very badly. Not only that. Many villages have been inundated and the Gujarat Chief Minister's helicopter could not land in Khera district. There has been a lot of damage done to the houses. Houses to the tune of 4,000 have collapsed. More than 400 villages in Khera district are out of communication. Unimaginable damage has also been done to the railway bridges. Some railway culverts have also been damaged. Railway track has been affected. There has been considerable loss of human life and livestock. There has been damage of more than Rs. 150 crores. The actual loss of life and damage to property is yet to be estimated. I would, therefore, like to request that the Prime Minister and the Minister of Agriculture should immediately undertake a visit to the affected areas of Gujarat and sanction interim relief to Gujarat immediately for the damage that the State has suffered on account of the heavy rains and floods.

SHRI JAGESH DESAI (Maharashtra): Madam, I also associate myself with his submission. I was born in Gujarat. The situation in Gujarat is so bad today that the railways have cancelled the Navjeevan Express from Madras to Ahmedabad. The whole of Gujarat, particularly Panchmahal district, is badly affected. The Government of India should immediately make arrangements for assessing the damage and also sanction immediate relief to Gujarat.

SHRI VITHALBHAI M. PATEL (Gujarat): Madam, all the crops of the farmers have been damaged. The farmers have suffered a loss of more than Rs. 500 crores. I hope the Central Government will do something for the farmers and also extend relief to all those who have suffered in these floods. One hundred and fortythree lives have been lost.

श्री राम नरेश यादव (उत्तर प्रदेश) :
महोदयों, . . . (व्यवधान) . . .

उप-भाषति : वन, हों गया। इस मामले पर सब बोल चुके हैं।

CALLING ATTENTION TO A MATTER OF URGENT PUBLIC IMPORTANCE REGARDING RAMPANT CORRUPTION, MISMANAGEMENT AND MALPRACTICES IN THE NATIONALISED BANKS AND THE ACTION TAKEN BY GOVERNMENT IN THE MATTER—Contd.

SHRI GURUDAS DAS GUPTA (West Bengal): Madam Deputy Chairman, I call the attention of the Minister of Finance to rampant corruption, mismanagement and malpractices in the nationalised banks and the action taken by the Government in the matter.

[THE VICE-CHAIRMAN, (SHRI BHASKAR ANNAJI MASODKAR), IN THE CHAIR]

THE MINISTER OF FINANCE
PROF. MADHU DANDAVATE: Mr. Vice-Chairman, Sir.

Government and RBI are seriously concerned about the complaints of corruption, mismanagement and malpractices in the public sector banks and are taking several preventive and punitive steps for tackling these matters.

Since 1969, when the banks were nationalised, the number of bank branches of commercial banks has increased from about 8,000 to 58,000. Similarly, during this period, deposits have grown from about Rs. 4500 crores to about Rs.

One lakh fifty thousand crores. The advances too have increased from about Rs. 3,500 crores to about Rs. One lakh crores. This has promoted economic growth. This has taken the banking services close to the people. However, the staff has also multiplied manifold we have now about 8.5 lakh employees. This has also affected the span of control and supervision. With crores of borrowal accounts, including about 3.5 crores of the priority sector accounts, spread over 6 lakh villages, towns and cities of the country and with hundreds of crores of banking transactions, the problems relating to house-keeping, monitoring, inspections, reconciliation, etc., have also proliferated. The social banking too has imposed a substantial financial and managerial burden on the banks.

The Reserve Bank of India, is constantly striving to streamline and strengthen the banking procedures so that while on the one hand the customers get proper service, on the other, the chances of irregularities and corruption are minimised. RBI has special investigation and inspection cells. Annual Financial Reviews are undertaken. Once in four years RBI also undertakes a detailed inspection of each bank in respect of its solvency, liquidity, profitability and operational efficiency. The action plan of each bank is quarterly reviewed/monitored at the level of Governor, RBI himself.

Besides, the banks have their own internal machinery to deal with complaints, frauds and vigilance cases. At intervals, reports in these matters are being submitted for the consideration of the Board also. Each bank has a Chief Vigilance Officer who is appointed in consultation with the Central Vigilance Commission. The Central Bureau of Investigation has also jurisdiction over the banks and investigates into cases at the request of banks, RBI, Government and even *suo moto*.

The Government is specially keen to tackle the problem of corruption. In the last few months, two Chairmen had to leave. In 1989, 83 bank employees were convicted on charges of corruption and frauds. In the same year, 375 em-

ployees were dismissed or discharged from service. Enquiries are continuing against 4014 employees.

Recognising that these measures are not adequate, Government is having a dialogue with RBI to further strengthen the system of vigilance. At this stage, I take the opportunity to assure the House that no corrupt practice will be tolerated and no corrupt official spared.

We are also aware of the deficiencies in the area of customer service. The present position is partly explained by the massive expansion. Besides, it also involves improvement in systems and technology. The orientation of the staff and officers too is important. Our effort would now be to consolidate the banking operations rather than to expand them further. The banks are giving greater importance to the training of personnel and human resource development. We also need the cooperation of the employees in improving customer service and bringing about technological changes.

We are equally concerned about the profitability of the banks. For the year 1989-90, out of the 28 public sector banks, 27 have finalised their accounts. 26 banks have made a profit of Rs. 357 crores. This is more than the previous year's annualised profit. One bank has shown a loss of Rs. 9.89 crores and one bank is yet to come out with its results. Here, I would like to emphasise our concern for transparency in the presentation of accounts. Because of this, for the first time, a nationalised bank has shown a loss. Window dressing is now at discount. Under the Health Code system, interest on the bad accounts is not being recognised as part of the income. RBI and Government are evolving a new format for balance sheet and profit and loss account. At the same time, we are also trying to strengthen the capital base of the banks by providing more equity. Last year, the equity provided to the banks was Rs. 700 crores and we are going to repeat it for the current year also. RBI and the Government are paying special attention to the problems of the weak banks.

[Prof. Madhu Dandavate]

While banks have many problems and deficiencies, I am confident that with the concerted efforts of the Government, RBI, bank managements and employees and with the several remedial measures already adopted or under-way, the banking system would show better results in terms of productivity, profitability and customer service.

SHRI GURUDAS DAS GUPTA: Sir, the statement of the Finance Minister at least partly holds a brief for the malpractices that are going on in the banks. It says that one of the reasons is that there has been a growth in the banking industry. The expansion of the banking business is taken to be one of the reasons for the fraud that is going on. The Finance Minister has said that the RBI is careful and it is carrying out as many as one inspection in every four years in a bank. Therefore, according to him the RBI is doing its job quite well, and even the Chief Vigilance Officer is there to look after the corruption; he is working in coordination with the Vigilance Commission. Therefore, according to him, the present apparatus in the banks is quite competent to look after the malpractices. Lastly, while declaring his intention that frauds in banks will not be tolerated, he does not bring forward any change in the policy or does not speak of any important steps that may bring about a change in the banking system about it. He finds satisfaction because there has been a profit of banks to the extent of Rs. 356 crores. The investment of Rs. 1 lakh crores brings about a profit of Rs. 356 crores. In terms of percentage, Sir, it is less than 1 per cent or 0.36 per cent. This low productivity or bank profit is not a matter of concern to the Finance Minister. He says that for the first time a nationalised bank has shown red balance in the balance sheet. But does he know the history behind it? This bank had prepared the balance sheet, showing a profit of Rs. 1.5 crores, and the balance sheet was duly audited and endorsed in a meeting of the Board of Directors where the representatives of the Finance Ministry and RBI were present. Sir, you may be-

lieve it or not ultimately it has come down that an expenditure item of Rs. 10.70 crores has been deleted and has not been taken into consideration. And after that that bank had to recast the balance sheet. After recasting the balance sheet there has been a red balance. Therefore, there was an attempt to manipulate by the New Bank of India. It is the New Bank of India. The New Bank of India tried to manipulate and the representatives of the Reserve Bank of India or the Finance Ministry did not play their role in the meeting of the Board of Directors. Even the auditors were at fault. Therefore, it is not just that one bank is losing. According to me, Sir, 12 national banks are in the red, and I will give examples to him. The socialist Finance Minister has not been acting differently after he assumed office. He has been moving on the dotted line of his predecessors. At least on this occasion let the Finance Minister act differently.

Let me give you some facts about what has been happening in the banking industry for the last five years. Not two Chairmen have been thrown out. He has not been properly brief by his officials. During the last five years, eight Chairmen had to be quietly asked to quit because they were involved in fraudulent practices. During the last five years at least two private sector banks had to be put in moratorium by the Reserve Bank. This is the first time, as he says, that the balance sheet of a nationalised bank is showing red balance. But this is not the first time. I will give you more instances how bank accounts are being window-dressed under the very nose of the Banking Department and the RBI. The United Commercial Bank has not been able even to produce a manipulated balance-sheet because the house-keeping has been in such a mess. They are continuing the exercise to produce a balance-sheet. The auditing has been complete. The audited loss of the United Commercial Bank at the moment is Rs. 42 crores. The Chariman and the people of the management are negotiating with the Reserve Bank of India for a careful window-dressing and cosmetic ac-

counting so that this fraudulent loss can be brought down. I do not know to what extent..

SHRI JAGESH DESAI: One bank has not given accounts. Is it the same bank?

SHRI GURUDAS DAS GUPTA: The same bank. It is the United Commercial Bank. This is not just one bank. Let me give for the benefit of the Finance Minister some more instances. The Dena Bank balance-sheet has shown a profit of Rs. 1.5 crores. But the balance-sheet of this bank has not provided for the payment of bonus to the employees. The liability on account of payment of bonus to the employees is about Rs. 2 crores. Therefore, actually the Dena Bank has incurred a loss of .5 crores this year. The Allahabad Bank has shown a profit of Rs. 10 crores in its balance-sheet. But that bank has not provided for the statutory obligation of payment of gratuity. The liability on account of payment of gratuity amounts to Rs. 28 crores. Therefore, if that provision is made, the Allahabad Bank is going to lose to the extent of at least Rs. 18 crores. The balance-sheet that has been prepared and presented is all manipulated and carefully window-dressed with the connivance and collusion of the officials of the Reserve Bank of India. My point is that actually 12 banks are in the red. I believe that these things are happening because there is no proper auditing. I give an example. Twenty branches of the Syndicate Bank in Kerala were audited in a single day. Not all the branches are audited. It is only a piecemeal audit that is going on. There is no monitoring on the part of the Reserve Bank of India.

All this happens because there is a secrecy clause. This could happen because there is a secrecy clause. The secrecy clause conceals more than it reveals. The public sector banks are not answerable to Parliament. These public sector banks do not divulge the list of defaulters or creditors. These public sector banks do not divulge to what extent the debt is written off. These

public sector banks do not allow the Parliament to identify.....(Time bell rings) I am finishing, Sir.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Everyone has to speak.

SHRI GURUDAS DAS GUPTA: Since I am moving, I should be given a little more time.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): I am giving you more time.

SHRI GURUDAS DAS GUPTA: I have many more facts. It seems that the Minister is still under the spectre of some officials of his Department who do not like the truth to come out. Therefore, I must tell...

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): There are other Members also.

PROF. MADHU DANDAVATE: I will be brief. My time may be given to him.

SHRI GURUDAS DAS GUPTA: Therefore, this secrecy clause must go. Why should this operation cover-up be allowed to continue? According to me, the Reserve Bank of India is more interested in giving death certificates to the nationalised banks than caring for the nursing of the ill-health of the banks and to bring them to vitality. I believe that the Reserve Bank of India is the villain of the piece. There must be proper identification of the debts in the way the debts are identified in England and America. There must be classification of debts according to good, bad, recoverable, irrecoverable and sticky. A committee set up by the Banking Department, an expert committee, has recommended that there should be classification of debts. Unfortunately, the Reserve Bank has turned it down. This is as regards the vitality of the malpractice which is going on.

Sir, the banks in the country are the custodian of the largest national savings. The deposits in the banks, according to

[Shri Gurudas Das Gupta]

me, are a little more than what the Minister says. The deposits in the banks are to the tune of Rs. 1,77,000 crores. This huge deposit—savings—is in the custody of the nationalised banks. Therefore, the whole thing is important and the issue is extremely sensitive.

After twenty years of nationalisation, let us review the working of these banks in terms of the national objective, in terms of national development in terms of generation of work opportunities and in terms of elimination of poverty. While doing so, we can come to the conclusion whether it is really nationalisation which has taken place, or, privatisation, under a different sign-board, is still continuing. I do not feel concerned only because there has been fraud, malpractice and mismanagement. I also feel concerned, more concerned, because there has been a continuous misdirection in the credit policy of the banks.

The banks have totally failed to perform their social responsibilities, to discharge their social obligations to the nation. I will give you an interesting figure. During the last twenty years, bank credit expanded by thirty times. While the bank credit expanded to the extent of 30 times, the production, particularly, the industrial production, increased only by 2.3 times. This is the productivity in the country as a result of bank credit! Therefore, the question should be discussed in Parliament whether the bank advances have gone to the sectors where they have been productive, or, the bank advances are being channelised for non-productive purposes.

I can give you an instance of the misdirection of bank credit. Recently, a study made by the Government discovered that the percentage of equity capital held by the big business houses in the aggregate assets of companies owned by them is not more than 1—2 per cent. Therefore, the question is, for whom have these banks been nationalised? This shows that they are still responding to the needs of the big business houses. It only indicates that bank credit is being misdirected, to serve the

purpose of the industrial tycoons in the country. This is about the low productivity. This is about the misdirection of bank credit. This is only one aspect.

Mr. Vice-Chairman, Sir, you will be perplexed to know from me that banks are borrowing money from the market at an exorbitant rate, by paying interest to the tune of 50-60 per cent, and supply this costly credit to the private entrepreneurs at a low rate. They are borrowing at the rate of 50-60 per cent and supplying this costly credit to the private sector at an interest rate of 14-16 per cent. Just imagine! For whom have these banks been nationalised? By doing this, the banks are losing heavily. I will give you an example. The Central Bank of India, last year, borrowed from the market Rs. 300 crores. The loss they had to suffer is to the tune of Rs. 30 crores. For doing customer service to the big business houses, they have suffered a loss to the extent of Rs. 30 crores. Then, the New Bank of India...

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Mr. Gupta, you can summarise what you are saying.

SHRI GURUDAS DAS GUPTA: Sir, the country must know the facts.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): There are others also.

SHRI GURUDAS DAS GUPTA: Mr. Vice-Chairman, Sir, I would like to point out that the secrecy clause is preventing the disclosure of information. We do not have the right to information. It is only misinformation which is there. It is being supplied in a tutored way, with the management...

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): You can always ask the Finance Minister.

SHRI SANTOSH BAGRODIA: The Committee has been withdrawn by the Government. What about that?

SHRI GURUDAS DAS GUPTA: Sir, the Estimates Committee of the Lok Sabha demanded the right to information, but it was rejected by the Reserve Bank of India.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Mr. Gupta, you can always ask these things from the Finance Minister.

SHRI GURUDAS DAS GUPTA: Sir, please give me five-six minutes more. Sir, the mismanagement and fraud with the bank is much more than what the Minister considers to be. One lakh is the investment of the bank. Out of this 80,000 crore have been invested in the private sector. According to me, 25 per cent of the commercial investment of the bank is either bad, sticky or irrecoverable. The Chairman of the Bank of Maharashtra while presenting a paper to the conference of economists sometimes back in Calcutta categorically stated that 30 per cent of the bank assets are non-performing. Therefore, the dimension of the problem is much more than what the Minister himself considers to be.

The point is, he finds satisfaction because the profit has been to the extent of Rs. 360 crores. He finds satisfaction because the profit has been more than the last year. The point is, as against this profit the banks are writing off every year bad debt to the extent of Rs. 250 crores. While the bank is having a profit of Rs. 360 crore every year, Rs. 250 crore are being written off every year. Can you imagine, Sir, that the nationalised banks are involving themselves in share purchase and share speculation? Most of the nationalised banks have set up subsidiary committees and formed funds called 'mutual fund' to purchase shares. You know Bob Fiscal, a subsidiary of Bank of Baroda, it was instrumental in arranging huge funds for the Reliance for the purpose of shares in Larsen & Toubro. Therefore, this is not the reason... (*Interruptions*). May be, but the Minister should know that the same practice is being resorted to by the other nationalised banks in different parts of the country. Therefore,

the spectre of Bob Fiscal should not lead this country. He should understand that the same practice is still continuing.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Please conclude. (*Interruptions*). He is taking Finance Minister's time.

PROF. MADHU DANDAVATE: I do not mind. I am surrendering because I know you will give me adequate time.

SHRI GURUDAS DAS GUPTA: Sir, this is for the first time, after many years, that the House is discussing banks, having the largest deposit and involved in the largest forms of corruption and malpractices. Since most of the credit is being misdirected, the House should be given little more time by encroaching on other subjects.

Sir, I suggest, there should be an independent audit commission. There is absolutely no audit. What is there as audit is an eye-wash. The Reserve Bank is already over-burdened with this work. Therefore, Reserve Bank must be unburdened of this load of work. I believe, the first task the Government is called upon to do is to set up an independent audit commission in the country, exclusively for auditing the advances of the banks.

Secondly, I believe, the same agency which gives credit or sanctions credit should not have the right to write off that loan as a bad debt. The same set of persons, who have taken a decision to advance loan should not have the right to write off that loan. Therefore, the right to write off loan should be given to some other agency.

Thirdly, I feel the number of banks should be drastically reduced. Only one bank is having 14 General Managers. Just imagine. He is a good mathematician. He can find out the number of General Managers, 14 multiplied by 28. And what is the volume of per-visit arrangement made for them? Therefore, I believe the number of public sector banks should be reduced. There should be

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eight to ten banks in the country and they should be allowed to work in a specific area identified for them.

Parliamentary control over the banks must be restored and the secrecy clause must be given a go-by.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): It is one o'clock and time for the Prime Minister to make a statement.

SHRI GURUDAS DAS GUPTA: I can continue after that.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): You please conclude.

SHRI GURUDAS DAS GUPTA: I have some more points.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): But your time is over.

SHRI GURUDAS DAS GUPTA: Sir, I beg of you, don't encroach upon me in this way. Please, it is very important. I will continue for some minutes after the PM's statement. Let the Prime Minister make his statement. There is no problem.

डा० अबरार अहमद खान : उप-सभाध्यक्ष महोदय, माननीय प्रधानमंत्री से मैं जानना चाहता हूँ कि उनके एक मंत्री शरद यादव ने देश को विभाजित करने वाला जो वक्तव्य दिया है, इसके संबंध में आपकी क्या प्रतिक्रिया है ? शरद यादव ने जो वक्तव्य दिया है उससे देश के अंदर एक तनाव की स्थिति पैदा हो गई है... (व्यवधान)... शरद यादव ने जो वक्तव्य दिया है उस पर आपकी क्या प्रतिक्रिया है ? ... (व्यवधान) ...

[उपसभापति पीठासीन हुईं]

उपसभापति : क्या बात हो गई ? what is it ?

डा० अबरार अहमद खान : जो शरद यादव ने वक्तव्य दिया है...

उपसभापति : अभी प्राइम मिनिस्टर का वक्तव्य हो रहा है। आप सवाल पूछ लेना।... (व्यवधान)... आप सवाल पूछ लीजिये। प्राइम मिनिस्टर का वक्तव्य तो होने दीजिए।... (व्यवधान)... आप यह सवाल में पुछिये। आप बैठ जाइये।... (व्यवधान)... बैठिये... प्लीज... आप बोलिये।

STATEMENT BY PRIME MINISTER

Regarding Measures for Promotion of Employment for the Youth in addition to Reservation for Socially and Educationally Backward Classes

THE PRIME MINISTER (SHRI VISHWANATH PRATAP SINGH): Madam, on 7th August, 1990. I announced in this House the decision taken by my Government to implement the Mandal Commission's Report.

2. As the House is aware, the Mandal Commission submitted its report on 31st December, 1980 to the President. Thereafter, this has been discussed a number of times in both the Houses and there was substantial support and forceful demands for the implementation of the Mandal Commission's Report. The National Front had declared in its manifesto that it will implement the Mandal Commission's report at the earliest and during the elections it had made a solemn commitment to the people to implement it within a year of its coming to office.

3. When this Government took office, the President stated in his address that the Government is committed to the implementation of the Mandal Commission's report. In both the Houses, there was persistent demand from a large section of the Members for its implementation. In the last Session I had assured in the Rajya Sabha that the Government will take its decision expeditiously.