

उपस्थिति :

State matters we cannot raise on the floor of this House. We cannot raise here matters concerning States.

आप खुद मुख्य मंत्री थे, आपको मालूम है कि स्टेट का मैटर अगर वह कोई हरिजन का होता है, महिला का होता है तो हम एलाउ करते हैं। स्टेट गवर्नमेंट के मैटर्स इस हाऊस में एलाउ नहीं करते। इसलिये आप न बोलिए। आप तो खुद ही मुख्य मंत्री रहे हैं। आप जब मुख्य मंत्री थे हमने आपका कोई मसला नहीं उठने दिया, ब्रैन्डि।

1. 00 P. M.

Now, what is your problem? What is your subject? You tell me... (Interruptions)...

r SHRI JAGESH DESAI (Maharashtra): There is a statement of the Minister that more and more ■ should go to the private sector... (Interruptions)...

THE DEPUTY CHAIRMAN: No. We have a discussion on, the banking system. I will not permit you like this. He will answer. If he has said something, he will answer. We are discussing the banking system now. Let the more important business be discussed now Yes, Mr. Morarka.

CLARIFICATIONS IN RELATION TO THE CALLING ATTENTION STATEMENT MADE ON 27TH AUGUST, 1990 REG. RAMPANT CORRUPTION, MISMANAGEMENT AND MALPRACTICES IN THE NATIONALISED BANKS AND THE ACTION TAKEN BY GOVERNMENT IN THE MATTER—  
(Contd.)

SHRI KAMAL MORARKA (Rajasthan): Madam, since this Calling Attention Motion relates to the corruption, mismanagement and malpractices in "the banks, I will try and speak about only a few aspects of the banking system though I feel that the time has now come When the House" should have a full-length discussion on the working of the nationalised banks in this country.

Madam, I am one of those who were enthused in 1969 when 14 major banks were nationalised and it is also

a matter of credit that during the last 21 years, there has been a sea-change in our banking system.

On the positive side, Madam, there has been a change, not only in the pattern of credit, - but also in the scope and content of banking itself. Till 1969, we had a banking system, which was in the hands of a few people who used to cater to the credit requirements of a certain section of the population for a certain limited purpose. But after the nationalisation of banks .....

SHRI H. HANUMANTHAPPA (Karnataka): "At the time, you people were sitting here and opposed it..". (Interruptions)....

SHRI KAMAL MORARKA: You read the history correctly. Most of the people on this side now, were for a social change. Everything that is retrograde has happened during the last ten years and we were not with you during the last ten years!

Madam, during the last 21 years, there has been an enormous growth in our banking system. With just eight thousand branches at the time of nationalisation, today, the public sector banks have got 38,000 branches all over the country. As against a deposit of about Rs. 4,500 crores, the total deposits in the banking system today are touching the figure of one lakh seventy thousand crores. These are mind-boggling figures. If the deposits were four thousand crores then, now they are not just eight thousand crores, but they are one lakh seventy thousand crores. It is definitely a mind-boggling figure. One of the reasons for the deterioration in the banking system: -can be found in this growth-rate itself. What has really happened is that the banking system has not been able, the successive Governments have not been able, - to take steps required, to cope with the expansion in the banking system. And, is my submission to the House, I would try to stick to a few points and a few suggestions to the Finance Minister.

[Shri Kamal Morarka]

The fact that corruption is rampant is well known. I can give a lot of examples. But it will only be wasting the time of the House. Take the case of malpractices. Any common man who deals with any branch of any bank will tell you the amount of harassment he has to suffer at the hands of a bank clerk or a minor functionary of the bank. So, I do not have to dwell upon the problems of the citizens with the banks or of the entrepreneurs or the artisans or the transport operators or the small borrowers. In the rural sector, what happens in the agricultural sector is well known. The service to the various sectors of the economy, the priority sectors of the economy, the quality of service, to say the least, has rapidly deteriorated, and this is putting it very mildly.

Now, apart from the other points, apart from deterioration in the quality of service, there is the question of the profitability of the banks. Now, we want the banks to be social instruments, effective social instruments, for bringing about socio-economic changes. But, if the instrument itself is bad, it will not do any good to anybody. First of all, we see that after 21 years most of the major public sector banks are on the verge of sickness and it is a very very sorry state of affairs. And, as it happens under such circumstances—this is exactly what has happened and it is very dangerous—what has happened is that in the last five years there is now backtracking. The banks, to be able to maintain their profitability, to be able to come out of the red, are shying away from lending to the priority sectors. They are once again going in for soft options. Now, if profitability of the banks is the only criterion, then, before 1969, everything was all right. So, that proposition we cannot accept. We will have to accept that banking in India can-

not be purely commercial banking, but it has to be development banking. If we accept that, then I would like to draw the attention of the House to one thing and it is this that the banking system in India cannot be compared with the banking system anywhere else in the world. So, if somebody gives the example of France or Germany or England, it is absolutely a misplaced example. The banking system in India and the commercial banks in India are supposed to do development banking in a large measure. But, because of the Government's directions on lending to the priority sector, the Reserve Bank's credit-liquidity ratio, etc., the constraints on the banking system are such that their functioning will have to be within the ambit of the Government restrictions and we will have to analyse their functioning with respect to these constraints. But if we make the mistake of comparing the figures relating to our banks with the banking system elsewhere in the world, we [will be making a grave error.

Having said that, I want to draw the attention of the Finance Minister to the various aspects. The first thing that strikes our minds is this; How do we measure what the banking system is doing? From the accounts. Now, as it is, the most shocking thing is that most of the public sector banks are either not completing their accounts—, there are charges of malpractices—or they are making up their accounts. This is inexcusable if there is bad performance of the public sector banks. The Government can take certain measures. If the patient is ill, the doctor can give medicines after examining the patient with a thermometer. But, if the thermometer itself is defective or faulty, what can be done? In a commercial organization, the thermometer, that is, accounting, cannot be faulty. Unfortunately,—it is really a sorry state of affairs—though we have the CAG, we

have a wide spectrum of checks and controls on all Government-owned or- ganizations, one of the organizations

which is suppose to be dealing with money and finance, that is, our banking system, is itself guilty of window^ dressing its accounts, of suppressing information in the accounts and of even writing false accounts. I will not deal with these things at length. But I feel that the time has come now when the first thing, which I expect from the Finance Minister, is to put a stop to this. He has to tell them; "No matter what your accounts are, please put them! correctly and honestly. We will solve the problem if there is any loss. We will see to it. We will put our heads together. But, first of all, let us know what the position is. So, you should show the correct things. ". The mirror should show the correct things. and it should show the face exactly as it is. But if the mirror is faulty, it will show your face as beautiful while it is not. So, the accounting system in the banks should be correct. This is my first submission to the Finance Minister: please do not have any compromise on this. Any chairman or any managing director, if he is guilty of showing false accounts, please sack him, please dismiss him. Please arm yourself with powers. Parliament is ready to give you powers. So, do not tolerate falsification of accounts. In the case of the private sector, immediately there is prosecution. Prosecution of Bombay Dyeing was done. And it was not even falsification, it was a difference of interpretation of course, I do *not* Want to hold any brief for anybody. But this is the position. If the private sectoi- managing director or chairman can be taken to a criminal court for giving wrong information I do not see how we can justify the managing director of a public sector bank not being touched for giving any *wrong* information. So, immediate dismissal, pre-emptory dismissal, is the only solution for giving wrong inform-

Then, I come to the question of adjustment and reconciliation. The House will be shocked to know that the 28th Report of the PAC of the Eighth Lok Sabha gives a startling piece of information that the total number of entries in the public sector banks which have remained unadjusted and unreconciled is 3 lakh odd and the amount involved is three lakh forty-five thousand crores! The amount involved is 2h times or three times that of the total deposits in the banking system. This is scandalous. No where in the world accounts can be in arrears so much. If you have not adjusted your own accounts, how would you know as to how many frauds have taken place and how many malpractices would be unearthed? how will you know all these thing unless the accounts are brought up to date? I am only pointing out what is happening in the banking system in this respect. Even today, Madam, I believe that the total amount of unadjusted and unreconciled accounts cannot be less than about two lakh crores of rupees which is well above the total deposits in the entire banking system in the country.

I can understand the predicament of the Finance Minister because this is a very sensitive sector and we cannot create a situation in which people start losing faith in the banking system itself.

That is why in the Banking Regulation Act, the State Bank Act and the Reserve Bank Act there are provisions that full disclosure need not be made. Madam, after 40 years of democracy, after seeing the general state of our society and after seeing the increasing number of malpractices and the troubles that the citizens are having, a time has come when there should be concurrent adjustment and reconciliation. (Tingie bell rings) I submit to the Finance Minister that we have had computerisation. We are trying to force the Unions, to accept

Shri Kamal Morarka].

Computerisation. We -. are..; not. recognising; one of.. the Unions.. Bank Employees' Federatio of India (BEFI), oh i the ground that they must first agree to.: computerisation. Madam, if we are going/to computerise and if we ar&" going' to: force computerisation down the throat of the employees, at least let "us get the benefits of computerisation. Let us have concurrent adjustment and reconciliation. There shotld'be no delay. At the end of the year; there' should be zero arrears as far as adjustment and reconciliation are concerned. So, my first submission fo the Finance Minister is: Correct Ac, counts—Concurrent Adjustment and, Reconciliation.

/ Madani, t my second point is about efficiency and., profitability., (Inter ruption) you Deputy Leader' is showing his. back not only to me but to the Chair also.

" THE' MINISTER OF FINANCE > (PROF. ""- MADHU DANDAVATE): Madam, in this very' House, once our j Criertd, Mr.; Piloo Mody, was showing > •his bank to the Chair:. Mr. Kulkarni • said: Sir, he is showing his bank to ilhe Chair,. " He got. Up and said: "As far as. I concerned, -I am neither j back nor front. I am only round. "

THE ' VICE-CHAIRMAN (SHRI- j MATI" JAYANTHI NATARAJAN): • How long will you take?

SHRI KAMAL MORARKA; Madam, // shall try to finish as soon as. possible. I want to \_ unburden myself to \ \* the Finance Minister.

THE VICE-CHAIRMAN (SHRI- " MATI "JAYANTHI". 'NATARAJAN): We are supposed to be seeking only the clarifications. It is ' no longer a Galling Attention.

' " SHRI KAMAL MORARKA: Madam, yesterday" we were deprived of a very 'important"•subject because of ' the •. "Mandal Commissiori. ' Eminent spea- ""keTs are waiting and I can see them.

They. \_ should' be given a proper hearing. -

THE VICE-CHAIRMAN (SHRIMATI I JAYANTHI NATARAJAN); Try to conclude, please.

SHRI KAMAL MORARKA: My second point is about efficiency and profitability. There is a report of a committee under the chairmanship oi: late -Sukomal Chakravorty. I feel that the Finance Minister should pay heed to most of the suggestions of that report. The first suggestion,, which may not be very widely welcome, was that. in order to protect the profitability of banks the minimum lending rate should be 3 per cent higher than the rate the bank pays on deposits. My friends from the industry rmay not agree. My other friends who want cheaper loans for agriculture may not. agree. But as far as the banking system is concerned, it is imperative that the profitability of the banks should be protected. You cannot have sick banks on your hands and expect them to do anything for the people. So. the profitability has to be protected. There has to be a minimum gap between the lending rate and the borrowing rate. If Government, in its wisdom, wants to give any subsidy, it •should be out of the-budgetary funds of the Government and not out of the profits of the banking system. Once you -start eroding into the profits of the banking system, then that is the alibi they give you for bad performance and that is not worth it. After all, it does not matter whether the money" comes from one pocket or the ather But for proper functioning and for. proper system of management, it 'should be clear that the banks should ; have a protected lending rate.

Madam, the Finance Minister himself had spoken in his Budget Speech that he is quite aware of the deterioration in the cjuality of service and he had promised in the Budget Speech

that a committee will be set up to look into the service aspect of banking. I am sorry to say and I must lodge my protest on behalf to the lakhs and crores of people who are using the banking system. No matter if you increase one per cent rate of interest on loans to the big borrowers. But to charge one rupee for a leaf of a cheque book merely because it is MICR computerised is not proper. The common man is not concerned. You are having it computerised for your own benefit. The common man is not prepared to give you one rupee more. I don't think it is fair to charge one rupee from a common man for a sheet of paper. It is not done anywhere in the world. It is totally wrong. In a country like India, you want to spread the banking habit and you want the smaller and smaller person to come into the banking system. For current accounts, the bank is using their funds without paying any interest.

SHRI JAGESH DESAI (Maharashtra):  
There are crores and crores of rupees in current accounts and they are not paying any interest.

SHRI KAMAL MORARKA: They should be happy to have that money. I don't think there is any justification for the steep increase in the service charges which have been levied recently. I can pre-empt the argument that will come from the Government that costs are rising and, therefore, we have to do it. Facts are otherwise. I have got the figures of 1988-89 of 28 public sector banks as a whole. Establishment expenses as percentage of the total income has been constant. It used to be 21.03 per cent. It is now 21.05 per cent. Of course, wages are increasing. We all know. But the cost element as percentage of total ratios has not gone up. And one of the reasons we all know is that there has been excess liquidity in the system, there has been excess money supply, deficit financing and inflation. There

are not the subjects I am addressing. I can humbly submit that as a result of the deficit financing<sup>^</sup> as a result of the excess supply of money and liquidity, the one sector in the economy that should have benefited is the banking sector because the money ultimately goes into the banks. One can say that the banking system has got the steep increase in deposits and the country is becoming rich. I would make it very clear that it is not. All the money that is increasing in the banking system is rupees whose values have gone down. But the fact of the matter, nevertheless, is that the banks have got a large amount of money. And the wages they are paying also are of the same rupee. So, their establishment cost as a percentage of the total income has not gone up. Therefore, banks have justification to increase the service charges on the ground that costs have gone up because costs have not gone up. As I said, banks should look at profitability by increasing interest to borrowers, not charging service charges to the poor man.

SHRI JAGESH DESAI: This is secondary. He has agreed...

SHRI KAMAL MORARKA: I am on a different point. I feel, the Indian Bank Association should not have been permitted to increase the service charges 'till this high powered Committee which is going to look into the service had completed its work. And I feel even now that the Finance Minister should give orders to stay the increase in the charges till such time that the Committee looks into the matter because this is going to affect lakhs and crores of people. I am not pleading on behalf of any section of the people."

THE VICE-CHAIRMAN (SHRI MATI JAYANTHI NATARAJAN): Please conclude now.

SHRI KAMAL MORARKA: Madam, I will just conclude after putting two more of my observations. One is that while the social objectives of the banking system are well on their way to achievement, but recently, as I told you, because of low profitability, there is back trading. The crux of the matter, Madam is in its mismanagement, inadequate management. You have got now a set of bank Managing Directors who do not want to work. It is very easy to lend money to five big capitalists and collect interest on them because that is all automatic. It is much more difficult to lend money to individual truck operators, to individual rickshaw operators and small shopkeepers because servicing that kind of loan is a much more difficult exercise. What I am submitting, Madam, is that during 20 years of nationalisation, we have had an explosive in the employees. There used to be one lakh employees. Now there are 8 to 10 lakh employees in the banking system. Yet, we have no course in Banking in the whole country. You are going to employ 25, 000 employees annually in the banks. For heaven's sake, start a system by which the people who will join the banks get trained. He may be a clerk, he may be a ledger-keeper, he may be a cashier. But he must undergo job-oriented education. Only then he will be able to give better service to the customer. The BAs and MAs which we churn out of our colleges are poor in arithmetic. What kind of banking can they do? So, I feel personally that in a sector which is so centralised—99 per cent of the bank deposits are in the Government sector—and where you are going to employ 25, 000 people every year, why can't we have a system where we can have trained manpower available to the banking system? Unless we do that the problem will not be resolved. Madam, it is easy to say that employees are having it good, their salary is going up. Whose problem is it? It is the

management's problem. The management cannot get away by trying to

give loans to a limited sector and collecting their money and depriving the others. Today a stage has come that even negotiations with the trade unions are not held as they should be. First they will deny all facilities. Then under pressure they will agree to all facilities. That is not correct. You must have meaningful negotiations. What do you expect the leaders of the trade unions to come and say, "We withdraw our demands?" The bank Chairman must say thus far and no further. But it has to be a meaningful dialogue. The trade union leaders cannot agree to withdraw a demand once they see the malpractices at the top level. The public sector banking system must run in a public spirited way. There is a demand of the Bank Employees Federation of India which has got a large membership in the Eastern region. Now they are not being called for negotiations. I request the Finance Minister. When you call the other unions, you please call the BEFI also. Just because they have a somewhat rigid stand about computerisation, you don't call them. So what? They have a membership of one lakh. How can you ignore them? This kind of attitude, which is feudalistic and capitalistic to say the least, is totally unacceptable in a public enterprise. I feel, the time has come—there are 28 banks, you need 28 Chairmen and 28 Executive Directors. You need 56 people. You shortlist 400 people. The Finance Minister himself can choose the right people.

I will just give an example. In the case of Bank of India, —I have written about this to the Finance Minister—A person who is junior to all the General Managers in the Bank has been appointed as the Executive Director. The entire banking system gets demoralised. I am against political appointments. We had the other extreme when the previous Government was there. The previous Government, in my opinion, was making only political appointments because somebody had a pull in the *durbars*. In the case of this Government it is another extreme, I am appalled because they have washed their hands off and left it to the Reserve Bank of India to do whatever they want to. It is much worse.

I think we should have a mean. We need not have political appointments. But the appointments must be made by the political masters. You cannot leave it to the Governor of the Reserve Bank of India to do whatever he wants to. I am totally against it.

There is one more point. It is in regard to the non-official directors in the banks. The Finance Minister has constituted a Committee consisting of the Governor of the Reserve Bank, the Deputy Governor and the Chairman of the State Bank of India. The Committee will suggest a panel of names for appointment of Chairmen and Executive Directors. No problem. But I have read in the newspapers—I do not know whether it is correct—that the Committee will also suggest names for non-official directors to be put on the Boards. This is objectionable. How can officials suggest the names of non-officials in a democratic polity? If this is so, I want the Finance Minister to change it. You can appoint non-official directors by any other criteria. You need not follow the practice of the previous Government which was putting only Congressmen on these Boards. You can have some rationale. You can have some objectivity. But certainly, do not leave it to the Reserve Bank of India. This is totally unacceptable in a democratic system.

Madam, in the end, I would say that the banking sector is a mature sector. It is a much easier sector to handle. Reforms can be brought about much more easily. But the following steps should be taken: better management, better dialogue with the trade unions, reconciliation and adjustment and proper accounts. Unless you do these things, you cannot check corruption, malpractice and other things. Today, you do not even know. You do not know what kind of corruption is taking place, how accounts are being fudged, etc. Only some information comes and my colleague, Mr. Gurudas Das Gupta, raises it with all his enthusiasm and the matter remains there. That cannot be the ultimate solution. Thank you.

SHRI V. GOPALSAMY (Tamil Nadu):  
Madam Vice-Chairman, apart from the

charges of corruption, there are very serious complaints of malfunctioning in the banking system. There should be a fullfledged enquiry. I would suggest an enquiry commission on this.

I agree with Mr. Kamal Morarka that the Reserve Bank of India is overburdened. Its work ranges from deficit financing to the appointment of Chairmen and Directors. There should be a separate apparatus to monitor the working of the banking system.

I understand, in many cases, bank loans are being written off. I have my bitter experience with the banks. When we approach the banks to know who are the beneficiaries whose loans have been written off and how much has been written off, the simple answer that we get is 'It is highly confidential'. Under the guise of confidentiality, we are kept in darkness. It is not the poor man who gets the benefit. It is not the lower-income groups. It is only the big sharks, the big business sharks. They know how to pull the lever at the proper place. They are the real beneficiaries. Therefore, I want that this should be placed on the Table of the House. Parliament should be informed as to who are the beneficiaries where amounts over and above Rs. 10 lakhs have been written off. We are accountable to the people. We should be informed, Parliament should be informed such that such banks have written off the loans of such and such people for such and such reasons. But it is very unfortunate, it is kept in secrecy, in confidentiality and the big sharks manipulate, they manage to get the benefit of the written-off loans.

Madam, huge sums have been spent under loan mela schemes. Crores and crores of rupees have been given. I would like to know how much money has been recovered. I understand that an amount to the tune of Rs. 10, 000 crores has been lost. (*Interruptions*). Yes, Rs. 30, 000 crores. The loan mela scheme was launched but I regret to say that it was launched with a narrow political interest of the party which was ruling at that time. The erstwhile Government launched this loan mela scheme for the benefit of the Congress

[Shri V. Gopalsamy]

Party. The loan application forms were distributed from the District Congress Committee offices. The Members of Parliament belonging to the Congress party had to sign and put a rubber stamp. If the application is submitted from their office, automatically they will get the loans. So, every Member of Parliament of the Congress party was more or less the Governor of Reserve Bank. Yes, it happened. Thousands of application forms were distributed from the Congress party office. The loan melas were arranged. Mr. Poojari went there, Congress M. Ps, went there. There were celebrations and there was a big loot of money, money of the common man.

SHRI VIREN J. SHAH (Maharashtra): Distribution of wealth among poor.

PROF. MADHU DANDAVATE: Living below the poverty line.

SHRI V. GOPALSAMY: The money did not reach the genuine people, the poor. I understand when they distributed these forms and loan money was given, corruption, commission, everything took place. Now you are not able to recover the money. I would urge upon the Finance Minister to make a thorough probe. Will he come forward to order a probe? Since 1985 till 1989 this crisis in the banking system has taken place. So, there should be a thorough probe about the loan n-ela scheme. It was a 'Congress loan n-ela scheme', not for the poor, not for the farmer or artisan or tiller but for the big bosses belonging to the Congress party.

Madam, there are reports that some of the national banks are facing bankruptcy, they are collapsing. If it is a fact, it is an alarming, disturbing news. I would like the hon. Finance Minister in that case to inform us, what are the banks? Madam, I do not want to take much of your time, but I would request the hon. Minister to say something about the crisis that has occurred in the banking system in the previous five years particularly because of the scheme of loan melas. Thank you.

THE VICE-CHAIRMAN (SHRIMATI JAYANTHI NATARAJAN): Shri Viren J. Shah.

SHRI VIREN J. SHAH: Five minutes are left. You want me to start now. May I start after lunch break? Otherwise it will be discontinuation, if you don't mind.

THE VICE-CHAIRMAN (SHRIMATI JAYANTHI NATARAJAN): Usually, we do not break before 1.30. Why don't you begin? You can continue after lunch, if you like. Maybe you can finish within five minutes. After all it is clarification only.

SHRI VIREN J. SHAH: After coming back to this House after several years, I am learning that clarifications go on for four hours, as it happened yesterday, and long speeches are made. I am not used to that.

I am thankful to you, Madam. I may particularly refer to the statement of the Finance Minister made yesterday, which I want to appreciate, where he said—and I am quoting:

"Here, I would like to emphasise our concern for transparency in the presentation of accounts".

This is something which I would like to refer to later, but if the transparency is really brought into effect, I think some of the ills that we are finding today in the banking system may get reduced over a period of time.

Several Members have referred to very large bad debts and the areas affected. I have before me a report in yesterday's Hindustan Times (i. e. Monday, August 27), that the Indian National Bank Employees Federation affiliated to the Indian National Trade Union Congress has demanded a probe into the blatant manipulation of the balance-sheets of twelve public sector banks to show non-existent profits and that they are prepared to give the names and the data, but because of the secrecy clause, which was mentioned by two hon. Members before me, they are prohibited from doing that. Now these are dressed up balance-sheets and the Finance Minister has also referred to window-dressing. He says that it is now at a discount. I am not too sure whether the hon. Finance Minister, who is otherwise a very well in-



formed person, is not slightly misinformos about it. In fact, right now, in this very year where the accounts have closed, there are reports about window-dressing and dressed-up accounts. As one hon. Member pointed out yesterday, 0.36 per cent, profit on the capital employed was talked about as if something great has been achieved but that also is not real, as the data was given. But I was shocked to hear that even the Department of Banking, or the people higher up in the Ministry, not the Ministers, have asked the banks that they must provide for 7-8 per cent dividend and they should re-do dressing up. So dressing up had to be done to enable them to provide for that dividend which they could not do really. If this is true, then it is something that requires very serious looking into at the level of the Finance Minister himself.

What are the reasons for these bad debts that people have talked about? I here could be malafide intentions and deliberate ministerial interference. There is a case of a hotel in this very capital which, on any qualifications or proper financial practices could not have got that loan either from the banks or financial institutions. Pressures were alleged to have been brought and I know of a particular bank where the ^Director wanted to object to that and it was over-ruled and no such minute was made so that the loan could be given. This is a part of ministerial interference and malafide intentions.

Loan melas have been talked about. I will give you an example about the loan mela. Only a few months back, in a bank, a client, a person who had taken money on loan at a mela in North Bombay, went to the bank to return the money. The Branch Manager almost fell off his chair. He advised him, "don't do this thing. What are you doing? No one has returned this loan mela money. If I take this from you, it will open a Pandora's box". Because, there will be inquiries.

THE VICE-CHAIRMAN (SHRIMATI JAYANTHI NATARAJAN): Mr. Shah, you can continue after lunch.

SHRI VIREN J. SHAH: Okay, I will just repeat this sentence. Thank you.

THE MINISTER OF FINANCE (PROF. MADHU DANDAVATE): In Marathi, "loan mela" means loan...

THE VICE-CHAIRMAN (SHRIMATI JAYANTHI NATARAJAN): The House is now adjourned for lunch till 2.30.

The House then adjourned for lunch at thirty-one minutes past one of the clock.

The House reassembled after lunch at thirtyfour minutes past two of the clock, [The Vice-Chairman (Shri Bhaskar Annaji Masodkar) in the Chair.]

**CLARIFICATIONS IN RELATION TO  
THE CALLING ATTENTION  
STATEMENT MADE ON 27TH AUG.  
1990 REG. RAMPANT CORRUPTION,  
MISMANAGEMENT AND MALPRACTICES  
IN THE NATIONALISED BANKS  
AND THE ACTION TAKEN BY GOVERNMENT  
IN THE MATTER—Contd.**

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Now, Mr. Viren J. Shah.

SHRI V. NARAYANASAMY: I am on a point of information.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): We are in the midst of the discussion.

SHRI V. NARAYANASAMY (Pondicherry): Before he starts, I will take half a minute. It is a serious matter. Mr. Dinesh Goswami, hon. Minister for Law and Justice, has resigned. My information is that he has resigned.

SHRI VIREN J. SHAH: He is giving information. He is not asking information.

श्री राजूभाई ए. परमार (गुजरात) :  
सुबह भी अरूण नेहरू के रेजीमेशन की बात  
हुई है।... (व्यवधान) ...

SHRI V. NARAYANASAMY: The Cabinet Minister is sitting here. I want him to confirm or deny.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): You have said it and the Government has heard it.

SHRI V. NARAYANASAMY: The House should be taken into confidence when Parliament is in Session. Will they respond?

PROF. CHANDRESH P. THAKUR (Bihar): Sir, I am on a point of order. On the teleprinter the news has appeared that Dinesh Goswami has resigned. Will the Minister for Parliamentary Affairs confirm or deny whether he has resigned or he has been fired. *(Interruptions)*.

SHRI V. NARAYANASAMY: The House should be taken into confidence.

THE DEPUTY MINISTER IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI JAGDEEP DHANKHAR): I do not know what the distinguished Member of the House has seen on the teleprinter. I am not aware of it.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Mr. Minister, why are you responding? They have already said whatever they want to say. That is all. *(Interruptions)*.

SHRI V. NARAYANASAMY: Sir, the Minister of Parliamentary Affairs is not serious about it. He takes it lightly. My submission is, Sir, this information should have been furnished to the House. The House should be taken into confidence. *(Interruptions)*.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Mr. Viren J. Shah, you need not talk to them. You can, carry on.

SHRI VIREN J. SHAH: I seek your guidance as to how to proceed. I mentioned about bad debts and the window dressing of balance-sheet and I drew the attention of the Finance Minister about this so-called directive from the Ministry to the banks to show accounts in such a manner as to enable them to pay dividends. If this is true, this requires really looking into. I have given reasons for bad debts and I had reached up to loan melas when

I gave the example of North Bombay where a person went to return the money and the Branch Manager advised him. "Don't do such a thing because no one else has done and if we take this a Pandora's box will open and we will have to give answer why we have not recovered from others?" This is how Mr. Gopalsamy spoke about and none of theirs is a genuine mistake. Personally, I am glad to say that so far as this Government is concerned, I have reason to believe that there is no ministerial interference. But what does happen, Mr. Finance Minister, is that there is too much of interaction between the Chairmen of Banks and the Department of Banking. I was told about very frequent visit by the Chairmen of the various banks spending their time in Delhi to be at the disposal of the Secretary, Department of Banking. If this is so, this also needs to be looked into because only the other day, there was a news-item that the hon. Prime Minister indicated in a discussion as to what is the need to have a department of Banking in the Ministry of Finance when the RBI is equipped and supposed to be doing those functions under the RBI Act and I completely share that view that it came at a time when the banks were nationalised and there was perhaps need at that point of time to have some such organisation in the Ministry. But I think as about everything in the Government, if something gets started, it does not stop when it should. I think the time has come both on account of (a) he wants to save Government expenditure—here is a clear case where a redundant department is there employing a large number of people—and (b) because the department is there, there would be that kind of interaction and may be interference, if I may use that term between the banks and the Ministry. The hon. Finance Minister talked about monitoring. The action plan of each bank is quarterly reviewed and monitored at the level of the Governor etc. This is done but this particular quarterly review by the Governor cannot lead to the disclosure of massive bad debts, the inefficiency and the corrupt practices. These are entirely different matters. Some other mechanism will have to be found to consider because there is a role which the RBI has to play but that role might not go down up to that.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): You have a very short time now.

SHRI VIREN J. SHAH: *X* will be shorter than most others and I have a great disadvantage. If the Chair tells me to sit down, I do unlike most other Members. But now I am learning. I am learning some of the bad habits which I did not have in my earlier six years in this very hon. House. There are reasons for this dilatory procedure; whether it is a small agriculturist or a farmer or an artisan or anyone else, the procedure now is to go through to loan officer, branch officer, technical officer, zonal loan officer, zonal manager, regional loan officer, regional officer, headoffice staff and at each level someone is seeking incentives, as it is alleged to be. And if that is so, can this procedure be shortened in such a way that there would be less scope for corruption or inefficiency? I am told even whether these loans are for agriculture or industry, there is 4 to 6 per cent rate fixed on the amount of loan, to be paid to the people concerned, to get their papers sanctioned and this is happening much more in the rural areas which we all profess to serve. That is why whether it is seeds or fertilizers or pump-sets or whatever it is, this is something where I do not know in what way the hon. Finance Minister is going to find solutions because even if we have an honest person at the top of a bank with people under him at different levels, the kind of laws that we have disable him from taking disciplinary action that might improve this, and if he does take, there may be twenty other anonymous letters against that man to Members of Parliament and others. So these are the restrictive factors again, one the labour legislation which comes in the way, second the procedure of taking action, and third this fear that anonymous letters might put the honest officer into difficulties. This is how things happen about which we are concerned.

Another reason for mismanagement is overstaffing, too many layers of management in processing decisions, archaic procedures for processing cheques and drafts. And it is also mentioned that too many bank branches are operating in the same

area. Sir, it is necessary to make a structural change—if I may suggest to the hon. Finance Minister—to reduce the multiplicity of control tiers like the district areas, zonal or regional areas to two or three tiers which are effective and meaningful; also fix time for each activity and enforce it. So recalcitrant officers will have to be dealt with.

There is a Banking Commission Report of 1972. We are very good at appointing commissions. There was a suggestion made that another banking inquiry commission should be set up. That might take three or four years and after that nothing would be done and the report would lie in cod storage like the Banking Commission Report of 1972. Now, what actions have been taken with regard to particularly reducing inefficiency, corruption and malpractice? Can the hon. Finance Minister tell us as to how to go about it? And I want to quote from a High Court judgement, the judgement of Bombay High Court given by the then Chief Justice of the High Court who is now a Judge of Supreme Court. I want to read only one paragraph which has straight relevance to this. This is against the Bank of Maharashtra on its extraordinary services. This judgement was delivered on 16th January, 1987 and it applies to almost all the banks. It is shocking. I am quoting: "Before finally parting with the matter, we would like to observe that facts on record which have been brought to our notice clearly show that it is imperative that the Government should investigate as to how such large amounts are advanced by nationalised banks which is in the nature of a trustee for public fund to a group, namely, SF Group which was already in default to the very bank in respect of crores of rupees in what appears to be a reckless disregard of a proper banking norm." This is the Chief Justice of Bombay High Court saying, "reckless disregard of a proper banking norm", and guidelines prescribed by the Reserve Bank of India. He directed that a copy of the judgement be sent to the Secretary, Government of India in the Ministry of Finance. This was on 16th Jan-

[Shri Viren I. Shah]

ua. -y, 1987. I would like to know from the hon. Finance Minister as to whether on this judgement, given by the Chief Jiwuice in a division bench, any action has been taken. What I would recommend is, that there should be a much greater competition or competitiveness, HOW h<sub>e</sub> going to encourage competitiveness? It should be by a greater and real autonomy. Real autonomy and certain real controls are necessary. Inculcate the service approach. Banking sector is a service sector. Bank employees who are in hundreds and thousands have lost sight of the concept of service. It is much more so when they are dealing with smaller people, whether in rural areas or anywhere else. With larger people, they dare not do that. Service to smaller people is absolutely out, including crediting accounts Things which should be done in half a day take ten days and this is affecting everyone.

The hon. Minister talked about transparency. The only way in which transparency can come is to lift the secrecy clause. The only way in which transparency can come is to lift secrecy clause. There is n<sub>o</sub> reason to maintain the secrecy clause because their argument is not to remove it.

Then, I want to ask him whether it is a fact that two or three years back a high-level CBI officer was given powers by the Govenment Of India to inquire inj general into corruption and malpractices in banks. If it is a fact, has a report been given and what does the report say? And what action has been taken?

Lastly, banks ate also involved in revival of sick industries through the BIFR. Quite a number of times, banks do not cOoperate with the BIFR, allowing the sick Industries to remain sick. Is the hon. Finance Minister going to take some steps which would enable or-cause the, hank to' act effectively on the BIFR recommendations? Thank you.

PROF. CHANDRESH P. THAKUR: Mr. Vice-Chairman, I thank you very much for giving me this time. Financial institutions in any country constitute a vital link in the development process <sup>v</sup>-and India has the distinction of having developed and promoted the working of some of the finest financial institutions including banks. Let us not destroy these » fine institutions whether the effort towards destroying them comes from inside or outside the banks because we need banks and other financial institutions operating at a top level of efficiency to sustain the process of development and social justice that we have been trying. But by the same doctrine, I must say that banks cannot be allowed to deflect from the path delineated by the society for development because they \*L have to serve as supporting institutions in a very sensitive area and to (some extent, pieces of evidence are coming that 'maybe banks, rather than emerging as wholesome supporters of the institutions, could be working at cross purposes. It is a source of worry; it is a source of concern; it is a source of disturbance. My first point, Mr. Vice-Chairman, is this: What are the guidelines and the policies of operating banks? There is a Department of Banking and the Minister of Finance is here. There is the RBI. There are headquarters of the individual banks. And then you have branch managers. I should assume that the Depart- p-ment of Banking formulates the policy ^ in consonance with the national policy for development. I should also assume that the RBI issues guidelines for the banks as flowing from the policy determined by the Department of Banking. I should also assume—I would only hope these don't turn out to be heroic assumptions—that the heads of banks follow those guidelines issued within the frame- „ work of the Government policy for transmitting downwards right up to the branch bank management. I am saying about the manager of a branch specifically here \* because that is the final contact point between the consumers of the banking service and the deliverers of the banking service. Now it seems that there is a considerable need for sufficient coordina-

tion at all these levels because if you look at the policy document and if you compare it with the operating practices at the branch level, there is a lot left to be desired. Either the bank manager does not know the policy or the guidelines which have been formulated are not necessarily consistent with the policy or the guidelines tend to be diluted at the bank's headquarters because only the instruction that comes from the headquarters through the regional or the routing channel is the effective reference point for the bank management. So when you can go and meet the bank manager and tell him, this is the guideline of the Government, this is the policy of the Government, these are the instructions which the headquarters have issued; he couldn't care less. And that creates not only delay, also a lot of confusion. A customer of the bank who has learnt from some source that these are the policies, these are the programmes, wants honestly to avail himself of the facilities being extended through the proper channel, but he is left high and dry because, in the absence of clarity, speed and without discretionary scope for application of those guidelines the bank managers can be handicapped in the best of situations and can take the law into their own hands using the discretionary power to the advantage of the bank or to the advantage of a preferred client and to the disadvantage of one who is really in need of it. The point I am trying to make is if there is scope for further streamlining the correspondence between the national policy and the policy of the Department of Banking, if there is scope for further streamlining the intimate relationship between the Government policy on one hand and the Reserve Bank of India guidelines, on the other, if there is scope for the policies of the banks, for the individual banks, flowing from those policies of the Government and the policy of the Reserve Bank of India, to be brought in order, it should be done immediately. This is not the first time that the Finance Minister has known it. His tenure has *still* to turn 12 months and yet he must *have* by now learnt that there are areas. *these* are gaps, which need to be streamlined. Vagueness, scope for undue dis-

cretion and too much security orientation rather than orientation towards fulfilment of social and economic purposes are playing havoc with the clients of the banking service. There are problems of coordination. I am not imputing any motive that any particular bank or a particular branch is not interested in the national policy. But there is one thing: You are interested in the national purpose but you need to be active, you need to be actively working towards fulfilment of the purpose, rather than quoting scriptures, rules, guidelines or the lack of it, if you are really earnest about it. I will give you one illustration. At the district level we have a district credit planning process and there is a district plan. I would like an honest reply from the hon-ouable Minister. Is there a correspondence between the two? Is the development plan of the district a reference point for the credit plan for the district and is the credit plan as determined the guideline for the flow of credit for the next three months or six months or a full year or for the next five years? Is this lack of correspondence between the two a new information or has it been known to the banks for decades? *(Interruption)* Credit is the critical need for the process of development. Whether it is a small borrower or a large borrower or a very big borrower, unless it comes adequately and at a time when we need it most, the whole relevance becomes a matter of question mark. So, from that point of view I give the illustration. There is a district industrial centre. In the district industrial centre there is a process. All kinds of officers make instructions. There is a bank man who goes into coordination and prepares a list of all likely beneficiaries under the district industrial centre. Now, if you ask each one of the beneficiaries you will know that all his cries are primarily in relation to the banks. The project has been approved, the Collector has sanctioned it, the district industries officers have approved it, but the banks are dilly-dallying. I will give one more illustration....

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Only two minutes more. We are short of time.

PROF. CHANDRESH P. THAKUR:  
I am speaking for Mr. Bagrodia also.  
You called him but he was not here.  
So,...

THE VICE-CHAIRMAN (SHRI  
BHASKAR ANNAJI MASODKAR):  
At 4 o'clock we have the other discussion.

PROF. CHANDRESH P. THAKUR:  
I will try to be as brief as possible.

I wanted to give you one more illustration. At the State level there is a coordination body of bankers along with the Government officials of the respective States. They coordinate. Specifically my illustration is this. Several months ago, before this Government came into power, I was looking at the problem. His predecessor called a meeting of Members of Parliament from Bihar for a review of the banking operations in my State of Bihar, and certain guidelines were determined, some data was given, certain problems and grievances were brought up. I went to follow it up in Patna. I do not want to bring the name of any individual bank or individual bank officer into the picture. The simple point I am trying to make is the Reserve Bank of India people and the lead bank people said that there was a lack of bankable projects coming from Bihar. So we spoke to the Government of Bihar and asked them: Do you have sufficient bankable projects? They created a committee of officers to develop a portfolio of bankable projects to be submitted to the banks. Then I asked the Chief Secretary as to what happened. He says that the banks are now saying in turn that those projects have not been prepared by banks and, therefore, they cannot be the basis of lending. Now the question arises: Are you interested in lending or not? If you are interested in lending, your first requirement is bankable projects. If the State Government provides bankable project, then you have to what it. Now is it possible that the banks who have a presence in the State of Bihar or similar banks which have presence in some other States can create a bankers' coordinating committee and maintain a whetted portfolio of projects which could be taken

up on a priority basis as the scheme of priority for the banks emerge? There is the question of intent. Are you simply declaring intent or are you really honest about it? If you are honest about it, then there are ways to go about it in an effective way so far as ground realities are concerned. Mr. Viren J. Shah was saying about structural changes. I think it is fair. One of the problems of the banks is that banks are totally being managed by bankers. I have great respect for the bankers. They are great in some things. But they are totally clueless about what is called the management of banking organisation. I am saying this with a certain degree of authority. I may be excused for immodesty. Bankers are very good in managing their money and their books of accounts. But when it comes to using the bank resources and bank capability for promoting the social good or economic development, I beg to submit that there is much that leaves to be desired. It is not their lack of intention. But they have been trained as managers of money, as accountants. They have not been trained as managers. Banking is not an accounting process. Banking is a modern organisation which dispenses financial services, which mobilises resources from the society and becomes a conveyor of credit on the socially-determined priority channels. In that it requires much more than the knowledge of finance, monetary economics, rate of interest, etc. Otherwise, what is the outcome of a bank balance sheet? It is the difference between two administered prices. The deposit rate and the lending rate minus the operating cost becomes the bank's profit or the lack of it. When we require that the bank's develop operative surpluses, then you need managerial input. I submit for the consideration of the Finance Minister that from that point of view the banks should be directed to move more towards effective management of financial services.

We would like, as members of the society and as clients of the banks, that our deposits are safe. We would also like that our deposits are mobilised by the banks and are used for socially produc-

tive purposes on a priority basis. If the banks are not able to do it. I do not want to go into those details. I have all the figures. There is need for structural reforms from the managerial point of view. There is a study. I do not know if the Finance Minister had the time and the opportunity to read that. It says that there is a concentration of banks lending in the command areas of the headquarters of the banks.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): The Finance Minister is open to all suggestions. Give the suggestions. He has already made his position clear.

PROF. CHANDRESH P. THAKUR: I submit to him that one of the reforms for his consideration is that the headquarters of the banks should be shifted to relatively underdeveloped areas. All are located either in Bombay or in Delhi or in certain parts of Karnataka or Madras. I would like that that lock, stock and barrel or at least 50 per cent of them should be shifted to underdeveloped areas. It is nothing against Bombay. It is to give the message to the banks that they have to look after these areas. Look at it. The Headquarters of NABARD is in Bombay. I believe, the Chief Minister of Uttar Pradesh has written a letter to the Reserve Bank of India that let us know which agricultural operation is practised at a very efficient level in the city Bombay where NABARD is supposed to be located. So, if it is not, then why should it not be located in an agricultural region rather than in a metropolitan city? So, there is a need for a regional shift.

The second structural reforms, Mr. Vice-Chairman...

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

PROF. CHANDRESH P. THAKUR: I will be very brief.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Do not be brief. You conclude it.

PROF. CHANDRESH P. THAKUR: I am about to conclude. Sir, there was one problem. In 1969, the banks got nationalised. All the banks were not at the same level of operation. Some were national banks in their own right. But several of them were regional banks. And over-night, after nationalisation, all of them were put at a national par, and they were supposed to perform the national banking role. But they have inherited incapacities. Every regional bank could not be a State Bank of India or a Central Bank of India. As a result, what has happened is that the regional character has a hang-over in the post-nationalisation period, and they have lived well below the expectation of the country in their performance. So I submit...

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Now. I would call the next speaker.

PROF. CHANDRESH P. THAKUR: I would request the hon. Minister that after careful review, let us identify the strength of certain banks and find ways to transfer these efficiencies which are demonstrated efficiencies in some areas, to all the banks, and let us identify the weaknesses and gaps in individual banks and try to eliminate all these. At the operating level, Mr. Vice-Chairman, Sir, rules and regulations need to be updated ... *(Time bell rings)*

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): I can only regulate through the bell...

PROF. CHANDRESH P. THAKUR: Finally, the technological support which is available now should be internalised. I know there are problems. The Government is interested. The Reserve Bank is interested. Employees have their problem, their concern. But lately, they have shown a certain degree of receptivity. It should be taken advantage of. If it is not sufficient, then the persuasive power of the Finance Minister should be brought to bear.

Mr. Vice-Chairman, Sir, the last... berently lacks its strength of operation...

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): When somebody takes the name of India, one cannot stop him.

PROF. CHANDRESH P. THAKUR: Mr. Vice-Chairman, Sir, what I am saying is that in the off-shore operation, Indian economy is linked to the rest of the world. For the Indian economy to work in the world market, we need offshore operation of a very efficient kind. But the Indian banking operation is a story of one step forward and two steps backward. We have had problems. But we cannot run away from the realities that international...

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Leave some points for others.

PROF. CHANDRESH P. THAKUR: What steps are taken to streamline that? I would like to hear that.

PROF. MADHU DANDAVATE: Should I reply?

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Not now.

PROF. CHANDRESH P. THAKUR: Weak Government as it is, if the GATT regulations become a requirement for them, and services will become an open area...

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): I will call the speaker.

PROF. CHANDRESH P. THAKUR: ... the Indian banks will have some difficulty in surviving and retaining their Indian clients also. The last point is—> this is really the last—about the individual clients at the local level. I have no personal knowledge. As far as I am concerned, I cannot say that I have run into a corrupt situation so far as the Bank is concerned. But my ears are not closed. I am not deaf so far. I hear about a lot of problems. I am sure, Mr. Finance Minister must also be hearing something about the banks which are one of the finest institutions, and perhaps not corrupt. But a day has

come when the cloud is hanging over them. There is a question mark. How corruption has come, how much of it has come, and at what level it has come, is a matter for the Finance Minister to decide. He has cited...

PROF. MADHU DANDAVATE: I decide about corruption"?!

PROF. CHANDRESH P. THAKUR: j You can do. If you wish, you can do everything. You can be a party also if you wish. I am not suggesting that you are so far. But...

PROF. MADHU DANDAVATE: So far.

PROF. CHANDRESH P. THAKUR: So far. But what will you do tomorrow, I cannot say, Mr. Finance Minister.

PROF. MADHU DANDAVATE: It is hope..

PROF. CHANDRESH P. THAKUR: I am prepared to bet that you will not.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Your last point is over.

PROF. CHANDRESH P. THAKUR: I am still on the last point.

Sir, the point is, it is the duty of the Finance Minister to protect his officers. I respect that. But I only hope that protecting the officers is not his job requirement. I only hope that if he gathers courage and say, 'here is a problem, and there the right steps, I am prepared. to do it', he will not lose his job. If there is any risk, we will come to his rescue. I hope, the Finance Minister will take the House into confidence and announce what are the concrete steps he is going to take. *(Interruptions).*

DR. YELAMANCHILI SIVAJI (Andhra Pradesh): Mr. Vice-Chairman, Sir, under the M. R. T. P. Act as well as the Company Law, every industry or export house or trading house is supposed to disclose all debts that are overdue for more than three years. But



som. 3 commercial banks, having huge turnovers, mismanage and manipulate their accounts to give a complete go-by to banking norms. Therefore, it is desirable to bring about a sense of discipline in the management of public sector banks so that they disclose all their debts in their accounts.

The argument that Such a disclosure would undermine the depositors' confidence is no longer tenable because the deposit—as per the information given by the Finance Minister—are swelling year after year. Moreover the banks are also increasing their debt-equity ratio. Such increases should enable the banks to disclose the debts in their accounts. Non-disclosure amounts to encouraging financial indiscipline.

Sir, as per the Banking Companies' (Regulation) Act, 1949, section 34A, the banks are under no obligation to disclose the extent of non-performing advances in their published accounts. It is reported that more than Rs. 11, 000 crores are locked up in the sick units of various industries which took loans from the financial institutions. It amounts to more than 11 per cent of the total advances by the nationalised banks and more than 20 per cent of the finances to the industrial sector. Many eyebrows are raised against the loan-waiver scheme for the farmers. But no eyebrows are raised when more than Rs. 11, 000 crores have been swindled by the industrialists under the guise of sick units in the country. Are they really sick? The industries may be sick. But all the tycoons, the industrial tycoons, who run these industries, are not sick. They register other companies in the name of their spouses, in laws, daughters and sons. They float other companies and they indulge in the same kind of malpractices. They take loans from other nationalised banks. There is no law to curb this.

I would like the Finance Minister to see that in the case of these people who are responsible for the sickness of industries and who have swindled huge amounts, crores of rupees, from the nationalised banks, all the partners of the sick unit and their family members

are debarred from floating other companies and getting loans from the nationalised banks. Unless this is done, there can be no end to such malpractices, to the swindling of public money, under the guise of sick units.

A number of examples are being quoted. Take, for example, the Punjab National Bank. Two companies belonging to the Modis are to pay more than Rs. 94 crores. Are the Modis really sick? Are they not healthy enough, are they not capable enough, to pay back this amount? Likewise, the Indian Overseas Bank... without any exception, all the workers are colluding with the industrial tycoons and making the industry sick. At the same time, as far as the Indian National Bank, Employees Federation is concerned, it went on record during the last week that 12 public sector banks were exhibiting non-existent profits in their year books. (*Time Bell rings*). I am taking shelter under the precedent that you allowed. The INBEF executive which met here on last Monday also proposed the setting up of a Banking Commission to unearth malpractice in making advances and recovery of loan. So, I would like to advise the Government to see that a permanent Commission is appointed. Let CAG be allowed to unearth the accounts of the nationalised banks.

The Banking Commission report of 1972 has recommended reduction of banks from 28 to 10 or less than 10. When the insurance companies were nationalised in 1956, there were quite a good number of companies existing in this country, but later on they were limited to only one. Over and above that there is a General Insurance Corporation. Similarly, here also the number of nationalised banks may be reduced to 10 or less than 10 with a Banking Corporation over them to look into their functioning. It can reduce malpractices in the banks which are taking place in regard to collection of deposits and in granting the advances.

Every day several reports are appearing in the press and media about the malpractices, frauds, corruption that take place in the banks. I do not know

[Dr. Yelamanchili Sivaji]

whether there is any agency in this country to go through these reports, examine them and punish the guilty? I would advise the Government to appoint a permanent statutory commission to go into the malpractices of all the nationalised banks so that the guilty could be punished.

श्री सन्तोष बागड़ोदिया (राजस्थान) :  
उपसभाध्यक्ष जी, श्री गुरुदास दासगुप्त जी ने यह बहुत अच्छा सवाल उठाया है कि करप्शन, मेलप्रैक्टिस मिसमेनेजमेंट सब जगह बैंकों में है। लेकिन मेरी चिन्ता यह है कि सरकार ने क्या एक्शन लिया। उन्होंने यह भी सवाल उठाया कि एक्शन टेकन इन दी मेटर। यह कहा जाता है कि पी० डब्ल्यू० डी० में हर स्टेज पर करप्शन है। यहां तक कि आर्डर दें तो करप्शन, माल पास हो तो करप्शन और फिर चैक लेने जाना हो तो मैंने सुना है कि उस काउन्टर पर भी पैसा देने पर चैक मिलता है। वैसे ही बैंकों के करप्शन की बात करें तो यही स्थिति नजर आती है। श्रीमती इन्दिरा जी ने और राजीव जी ने बैंकों को गांवों तक पहुंचाया। गांवों के जो लोग छोटे-छोटे लोन लेने आते हैं उनके साथ भी करप्शन है। मैं थोड़ा-सा इतिहास में जाना चाहता हूँ। पहले गांवों में मनी लेंडर थे। बैंकों को नेशनलाइज करने का इन्दिरा जी ने ऐतिहासिक निर्णय लिया। यह बहुत अच्छा काम किया। नेशनलाइज करने के बाद बहुत जोर-शोर से बैंकिंग इंस्टिट्यूशन्स का विकास हुआ, बैंक खूब बढ़े। जैसा माननीय मंत्री महोदय ने अपने स्टेटमेंट में बताया है कि 8 हजार से 58 हजार ब्रांचेज खुली। साढ़े चार से। लाख 50 हजार करोड़ डिपोजिट्स हो गये और एडवांसेज 1 लाख करोड़ हो गये। ये सारी चीज अच्छी हुई। नेशनलाइजेशन के बाद गांव-गांव में और गली-गली में बैंक खुले। इस प्रकार से ये सब अच्छे काम हुए। लेकिन सवाल यह है कि नेशनलाइजेशन के बाद करप्शन भी बहुत बढ़ गया है और एफिसियेंसी बिल्कुल खत्म हो गई। जिस तरह से कोई भी चीज नेशनलाइज्ड हुई, उसके बाद उस चीज के दाम बढ़ गये, वैसे ही मनी सप्लाई, पैसा लेने का काम भी बढ़ गया। इस बारे में मैं दो-चार लाइन खाली कोट करता हूँ।

आज ही के एकानामिक टाइम्स के एडी-टोरियल में कहा गया है कि :

"When banks are in a financial mess, the cost is borne largely by consumers. This is the primary lesson that can be drawn from the moves by the public sector banks to raise the floor lending rate for working capital financing from the present 16 per cent. Cost of funds relative to the returns has gone up for the banks partly owing to their own inefficiency".

It is because of their own inefficiency and partly due to severe restrictions

श्री हरबेन्द्र सिंह हंसपास (पंजाब) :  
मंत्री जी विजी हैं।

उपसभाध्यक्ष (श्री भास्कर अन्नाजी मासोदकर) : बोलिये, वे सुन रहे हैं।

श्री सन्तोष बागड़ोदिया : यह बैंक फाइनंस में जो ज्यादा मनी होती जा रही है :—

imposed on them by the Reserve Bank of India. These restrictions have resulted in banks being able to create credit upto only about 46.5 per cent of their deposits.

अब मैं मंत्री जी का ध्यान आकर्षित करना चाहता हूँ कि 46.5 परसेंट एज ए बिजनेसमें, एज ए एकानामिस्ट या प्रैक्टिकल रूप में यह बात मेरी समझ में नहीं आई कि हम 100 रुपये का माल प्रोड्यूस करें और उसको 50 रुपये में बेचें। जैसे आपने कहा डेढ़ लाख करोड़ रुपये डिपोजिट हैं और एक लाख करोड़ हम एडवांस देते हैं। यह इसलिये होता होगा कि आपने रिजर्व बैंक में बहुत से रिस्ट्रिक्शंस लगा रखे हैं। मैं तो कहता हूँ कि जो एडवांस आप अलाऊ करते हैं वे सारे दिये जाते नहीं नाम के लिये सैंक्शन हो जाते हैं और इपया नहीं होता। आप डेढ़ लाख करोड़ रुपया डिपोजिट के एगेंस्ट में 2 लाख करोड़ रुपया का बिजनेस कर सकते हैं। इससे बैंक वालों को फायदा होगा और फाइनली यह फायदा कंज्यूमर्स को मिलेगा। इस बारे में आप विचार करें। जो प्राइवेट बैंक का यह 46.5 या 50 परसेंट था, उसका कोई कारण था, उसकी बात समझ में आती है। लेकिन जब नेशनलाइज्ड बैंक हैं

तो इस तरह के रेस्ट्रिक्शन की क्या आवश्यकता है। महोदय, अब बैंक पर भी दाम लगते हैं वहाँ लेने में। आप जानते हैं कि हर चीज का दाम बढ़ा दिया। अब आप बैंकिंग सिस्टम में जाइये ताँ अगर स्माइल भी बैंक मैनेजर की लेनी है तो उसके लिये आपको कोई न कोई गिफ्ट देनी पड़ेगी, तब जाकर स्माइल मिलेगी। बैंक से पैसा ड्रा करेंगे, अपना पैसा ड्रा करेंगे तो तब भी उसको कुछ देना पड़ेगा तभी आप काउंटर से पैसा ड्रा कर सकते हैं। इस तरह का करप्शन हो रहा है। सुबह हमारे किसी बंधु ने सवाल उठाया था और हमारे डिप्टी मिनिस्टर जो हैं उन्होंने कहा चार बैंकों को डिनेशनलाइज्ड करने के बारे में कई बैंक हैं जो नेशनलाइज्ड नहीं हैं। इनका फिर डिनेशनलाइजेशन करने का बात मैं नहीं कह रहा हूँ। लेकिन इस तरह का कम्प्यूजन सरकार का हर डिपार्टमेंट कर रहा है। कोई मंत्री कुछ बोलता है, कोई कुछ बोलता है और प्राइम मिनिस्टर कुछ बोलते हैं। मेरी तो समझ में नहीं आता कि आखिर गवर्नमेंट की पायिसी क्या है। अगर डिनेशनलाइजेशन करना है तो आप ऐसा बोलें। कहते हैं कि यह पर्सनल व्यूज हैं। मंत्री होकर पर्सनल व्यूज यह समझ में नहीं आता कि मंत्री होकर कैसे पर्सनल व्यूज बनते हैं। लाखों एन्ट्री बैंकों में हैं जिनका आज तक रीकांसीलेशन नहीं हुआ है। मैं यह नहीं कहता कि मंत्री महोदय आप इसके लिये जिम्मेदार हैं। वर्षों से ऐसा चला आ रहा है। आप योग्य हैं, एफिसियेंट हैं, आप ईमानदार हैं, इसलिये मैं आशा करता हूँ कि कम से कम आपके नेतृत्व में यह रीकांसीलेशन का मामला है यह जल्दी से जल्दी कंप्लीट हो जायेगा ताकि हमें यह पता चल सके कि बैंकों का हालत क्या है। (समय की घंटों) दो मिनट।

उपसभाध्यक्ष : (श्री भा. कर अग्नाजी मासोदकर) दो मिनट नहीं।

श्री सन्तोष बागडोदिया : उपसभाध्यक्ष जी, आपने दो दिन पहले रिमार्क दिया था कि मैं सुनता नहीं मैं क्या करूँ आप मुझे उस स्थिति में मत डालिये। मैं आपको सुनूँगा, आप मुझे दो मिनट का समय दे देजिये। Bad and doubtful debts not shown truthfully. मैं जानता हूँ कि वहाँ बैंड एंड डाउटफुल डेट को दिखाया नहीं जाता और ये जितनी भी बैलेंस शीट बनती है ये सब जाली होती है।

हम कहते हैं कि प्राइवेट सेक्टर वाले जाली बैलेंस शीट बनाते हैं। लेकिन पब्लिक सेक्टर में होकर भी यहाँ क्यों जाली बैलेंस शीट बनाते हैं?

SHRI JAGESH DESAI: They have to show....

श्री सन्तोष बागडोदिया : वह दिखाते नहीं हैं और इसलिये कि जिससे बैंक की बैलेंस शीट बड़ी अच्छी दिखने में नजर आय।

एक बात और है कि बहुत सी ब्रांचें एक ही गली में, एक ही सड़क पर होती हैं और इस तरह से वहाँ पर बड़े-बड़े शहरों में 10-20 ब्रांचें खुल जाती हैं। एक साथ सट्टा हुई ब्रेचज का क्या फायदा? मेरा कहना है कि वहाँ जितनी ब्रांचें चाहिये उतना करिये और बाकी रूरल एरिया में ले जाइये। इस बारे में पहले भी कई बार मैं पार्लियामेंट में यह सवाल उठा चुका हूँ कि जहाँ हजार आदमियों से ज्यादा किसी भी इंडस्ट्री में हैं। वर्कर को पैसा बैंकों के मिलना चाहिये। बैंकों का एक्सटेंशन काउंटर उस इंडस्ट्री में रहे रूरल एरिया में, उससे आपको दो फायदे होंगे। एक तो मालिक (समय की घंटों)

उपसभाध्यक्ष (श्री भा. कर अग्नाजी मासोदकर) : आपके दो मिनट भी समाप्त हो गये हैं।

श्री सन्तोष बागडोदिया : यह बहुत जरूरी बात है। मैं जो बात कह रहा हूँ उसको सुन कर आप वास्तव में खुश होंगे। मालिक लोगों के बारे में यह शिकायत रहती है कि हम वर्कर्स को पूरा पैसा नहीं देते हैं। आप बैंकों के थू पैसा दीजिये, पूरा पैसा दिया जाएगा। दूसरी बात यह है कि बहुत से वर्कर पैसा ले कर शराब पी लेते हैं। यदि बैंकों के थू उनको पैसा जाएगा तो बैंकों को डिपोजिट भी मिलेगा और उनकी भी एक बहुत बड़ी सोशल सर्विस आप करेंगे। मैं आपका ध्यान आकर्षित करना चाहता हूँ, मंत्री जी आप मेरी बात सुनें एक जगह लिखा है

"Once in four years the RBI also undertakes a detailed inspection."

इतना बड़ा डिपार्टमेंट है अगर आप चार वर्ष के बाद इन्स्पेक्शन करेंगे तो उससे कुछ होने वाला नहीं है। इसको आप तीन महीने में एक बार या 6 महीने में एक बार करिये तब जा कर कुछ होगा।

श्री हरबेन्द्र सिंह हंसपाल : यह क्वेश्चन पूछ रहे हैं कालिंग अटेंशन में, मंत्री जी अगर सुनेंगे नहीं तो उसका जवाब कैसे देंगे ?

प्रो० मधु दण्डवत : मेरे जवाब में से आपके पता चलेगा कि मैंने सुना है या नहीं ।

श्री संतोष बागड़िया : एक बात मैं और कहना चाहता हूँ इंटरनल मशीनरी टूटील विद कम्प्लेंट्स । यह कम्प्लेंट्स में हमेशा होता है । हम रुपया बारी करते हैं, हम कम्प्लेंट करते हैं और आप उसी अफसर को ले जा कर बोलते हैं कि इस पार्टी ने कम्प्लेंट किया है इससे वह तो हम को रगड़ना चालू कर देते हैं आप ऐसा न करें । कुछ ऐसा सिस्टम बनाइये जिससे कम्प्लेंट्स की सिक्नेचर इन्क्वायरी हो तब तो इन्क्वायरी के कोई मायने हैं । इस डिस्कशन में जितनी कम्प्लेंट्स के बारे में चर्चा की गई है, मैं यह जानना चाहता हूँ कि क्या आप इन सब कम्प्लेंट्स की इन्क्वायरी करायेंगे या आप जवाब दे कर के सारी कम्प्लेंट्स फाइलों में दब कर रह जायेंगी । यह भी मैं आपसे जानना चाहता हूँ । एक जगह आपने कहा है —

"I take the opportunity to assure the House that no corrupt practice will be tolerated and no corrupt official will be spared."

यह बातें सुनने में बहुत अच्छी लगती हैं । मैं जानता हूँ आपका इंटेंशन बहुत अच्छा है लेकिन उसका रास्ता क्या है । इसका रास्ता भी आप बताइये कि इसके लिए आप क्या करने वाले हैं । जैसे मैंने अभी बताया कम्प्लेंट करें तो उसके ऊपर ऐक्शन कैसे होगा । आप बोलेंगे कि हमारे पास कम्प्लेंट्स ही चार आई हैं । चार इसलिए आई हैं क्योंकि हमको कम्प्लेंट करने में डर लगता है । उसका रास्ता क्या होगा, यह भी आप हम को बताइये नहीं तो केवल पोलिटिकल स्लोगस से कुछ होने वाला नहीं है । (समय की घंटी) मेरा लास्ट-प्वाइंट यह है कि "We also need the cooperation of the employees in improving customer service." इसमें इम्पलाइज को कोआप्रेसन तो मिलेगा ही क्योंकि आपने इम्पलाइज को बोर्ड में बैठा ही दिया है । उसका उदाहरण देखिये । फिर आपको इम्पलाइज का कोआप्रेसन क्यों नहीं मिलता है ? जब बैंक के बोर्ड में

इम्पलाइज का प्रतिनिधि है तो फिर आपको क्यों कोआप्रेसन नहीं मिलता है ? यही तो कारण था बोर्ड में बैठने का । फिर भी अगर आपको कोआप्रेसन नहीं मिलता है तो आपको इस पर फिर से विचार करना पड़ेगा कि जो निर्णय लिया गया था क्या वह सही था या नहीं । बहादुरगंज (बिहार) में सेंट्रल बैंक आफ इण्डिया में कोई मैनेजर है उनके बारे में मैंने सुना है कि वह 10 परसेंट कमीशन हर बात में लेते हैं । आप जरा पता लगा लें तो आपकी मेहरबानी होगी आपका बहुत बहुत धन्यवाद ।

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Shri Ashis Sen—five minutes.

SHRI ASHIS SEN (West Bengal): I won't be able to.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Then you need not!

SHRI ASHIS SEN: Number one: I am not well. I won't be able to speak at my normal speed. Then the question will be, within five minutes I will not be able to cover such a big thing. ... (Interruptions)...

Now, Sir, the Minister, in his statement, has said that the banks have their own internal machinery to deal with complaints, fraud and vigilance cases. If somebody in a particular bank has committed these things and the same bank's management has been called upon to deal with these complaints, it will not be effective—it can be understood. Earlier it was being done by a third party, may be the Reserve Bank of India. Now, if it is shifted, it will not have any powers. I am told that nearly 20 per cent of the bank advances are bad doubtful of recovery or suit filed cases. Now, what are all these things going on? How far have we been able to fulfil the objectives of the nationalisation? Before saying that the Minister says that our effort will now be to consolidate the banking operations rather than expanding them further. Still there are so many areas where within a radius of say 7 or 8 or 10 miles there is no bank branch. It is a reality. I have got a first-hand knowledge of it. But in the\*

name of consolidation of the existing bank branches, opening of further branches is being stopped. Then the objectives of the nationalisation are set apart and the banking institutions are treated to be as institutions for profit—making purposes in the classical way. We will be doing wrong, because we want in a developing economy the banks should be treated for development purposes, not for profit-making purposes. Of course, I do not mean to say all the money, like in the Loan Melas, which the previous Government had done, should be distributed and that there should be no concern about the recovery. I don't mean that. But then the development aspect should be more important than that. So what I say is that in the name of consolidation, restriction on the expansion of new bank branches should not be there. There should be more expansion of the bank branches.

Now, RRBs were opened and at many places they were able to do the job of catering to the credit needs of the rural poor. Now, if further branch opening is stopped, then this objective will not be fulfilled. Incidentally I have come to know that there has been an award in respect of the RRB staff. On 30th April last, till now there has not been any gazetting of that Award. Nor has there been any attempt for implementation of that Award. About 70,000 workers are benefited by that Award.

Similarly, is the case of award for small deposit collectors.

I would like to show what has happened after nationalisation. Our experience is that the top management of the banks does not involve itself in the prosperity or the working of the banks. Each individual top brass of the bank is interested in how to get further promotion or how he is going to become Chairman of a bigger bank. If this is the position of the top management of the banks and if it is not checked and is somehow or other allowed to go on by lead to any improvement of the banks, because those people are more self promotion.

Now, advances to the big houses constitute about one-third of the total advances which is Rs. 105,000 crores. Now, what is the experience of the banking industry? How much do we get back out of the money lent and how much interest do we get?

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Your five minutes are over.

SHRI ASHIS SEN: At the beginning I requested you to permit me to speak for more time. I would not go on endlessly.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): I would like to give you time, but there is no time with us.

SHRI DIPEN GHOSH: Is that our fault,

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): It is your business. We are just controlling the business. That is all. If you don't want to do the business, what can we do?

SHRI ASHIS SEN: For recovery there is no follow-up. That is an important point. It is from here malpractices and corrupt practices begin. Loans are given and they are compromised midway. The interest need not be paid and the advances are phased over and ultimately the amount does not come back to the coffers of the bank. This is one of the ways the corruption develops

Now, properties are pledged against a particular advance. If the advance is not paid, the property is sold either to the same person in Benami of somebody else and the bank is deprived of whatever benefit it would have got out of the advance or by selling the property pledged. This has got a material effect on other categories of staff from the top officers down below. Corrupt practices and all that do not come out of their own. Ordinarily employees are not corrupt. It is the environment that creates corrupt practices in between. So this is how the corruption is to be handled. Then, from policy making to the departmental working, employees and trade union organisations

[Shri Ashis Sen]

must be involved; otherwise it will not be possible for smooth working. How does it happen? We have found against certain Chairmen of certain banks, for example, Punjab and Sind Bank, Syndicate Bank, New Bank of India, Vijaya Bank, Indian Bank, so many cases pending against them. There is a case of phone misuse against the General Manager of the State Bank of Travancore also. Many cases have been detected against them and they are directly involved in these corrupt cases. Some of the Chairmen have been removed but what action has been taken against them afterwards? They go scot-free and as gentlemen they move about in the society. Then, tomorrow I can also become a Chairman. I will go scot-free. I have nothing to do about it- I will try to do as much as I can while I am the Chairman. That is going on. Now, in respect of New Bank of India, CBI and the Central Vigilance Commission have submitted their reports against the top management but still no action has been taken against them and they continue to be in the bank. Only one person has been removed.

Now, another institution, not bank but the IFCI, against the Chairman of the Corporation also so many corrupt cases have been reported but no action has been taken. He goes on continuing to be the Chairman with extension and play on with the game as long as he can.

How the industrial relations have been affected in the Syndicate Bank? I have got with me a big list. The employees raised the question of corruption against the Chairman and others. They are transferred across the country, from Calcutta to Kerala, from Tamil Nadu to Punjab. Like that they are transferred vindictive actions have been taken against them. I am mentioning about the officers and if any officer comes out and says that the boss has done something wrong—the moment he says—he is put into this trouble and vindictive action is taken against him. If this is the attitude of the management, who will come out? Point out? If the

Chairman is doing something wrong, if an honest officer, if an honest employee want to pick up that issue, he is liable to be transferred. If the cases are taken up no action is taken against those officers who are involved in these cases. I had an occasion to mention some of these cases to the Minister but it goes on like that.

In the discussion the Reserve Bank of India has been referred to. In the RBI recently 400 officers have been transferred for no good reason. When you are trying for austerity measures, how can you fulfil it? If an officer is transferred it costs RBI Rs. 15/2000. Therefore Rs. 60 to 70 lakhs is clear wastage. Same is the case with other banks and the Syndicate Bank also.

The RBI has diluted its inspection. I had an occasion to be there. I had known the inspection process earlier and how inspections are done now.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): We are running out of time. Please conclude.

SHRI ASHISH SEN: My reserved time is over? Please create "no reservation time" for me, at least 60 more records.

Regarding balance-sheet, a separate an audit cell is not going to help doing the job. Now the balance-sheet has to be transparent. Why should there not be a list of big defaulters? Why should not the RBI have a list of big borrowers? One Particular borrower borrows money from one bank. He borrows from several banks and nobody knows what is his total debt. One day they find that they are duped. The nationalised banks must be answerable to the Parliament.

Regarding reconstruction of the banking system, you must do something. For example one bank for 15/20 districts with overall responsibility for the area. I am told that only yesterday one Minister has come out with a public statement saying that five banks are going to be denationalised, privatised. I would like to have an answer from the Finance Minister whether

there is any basis in this statement. If it is correct, then, we are doing a wrong thing. Rajya Sabha also should have a Committee to investigate into the working of banks just like other Public Undertakings Committees. Rajya Sabha should have a Committee to go into the functioning of these banks as they will be answerable to Parliament.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNALI MASODKAR): Thank you, Mr. Sen.

SHRI A. G. KULKARNI (Maharashtra): Sir, I do not want to take the time of the House. I only suggest that I have already said whatever I wanted to say as a good Parliamentarian in writing to him. I want an assurance that he would reply within eight days and secondly, just like Public Undertakings Committee, the Nationalised Banks should be under the purview of some Parliamentary Committee.

SHRI ASHIS SEN: The All India Banks...

THE VICE-CHAIRMAN (SHRI BHASKAR ANNALI MASODKAR): Mr. Sen, I have already thanked you.

SHRI ASHIS SEN: Now, Sir, allow me to thank you for giving me this opportunity. There should not be so many All India banks. Banks should be restructured in a different way so that each region can have one bank taking the entire responsibility. That is what I suggested and it should be in that form. About this corruption and malpractices,, I have something else to say but I do not want to seek your follow up permission now. Thank you.

**श्री सुरेश पचौरी (मध्य प्रदेश) :**  
मान्यवर, किसी भी देश की आर्थिक व्यवस्था को सुदृढ़ बनाने में बैंकों की एक महत्वपूर्ण भूमिका हुआ करती है। आज जब हम बैंकों के भ्रष्टाचार गड़बड़ी और कुप्रवृत्ति की बात कर रहे हैं तो निश्चित रूप से हम ऐसे निष्कर्षों पर पहुँचेंगे जिससे कि काम-काज में सुधार किया जा सके। मैं अपनी बात सूक्ष्म में ही समाप्त करूँगा। आज भी यह देखा जा रहा है कि बड़े-बड़े व्यापारिक घरानों की पकड़ बैंकों में बरकरार है। इस पर गौर

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करना काफी जरूरी है और समुचित कदम उठाए जाना जरूरी है ताकि आम आदमी यह महसूस कर सके कि बैंकों में जो सुविधाएँ दी जाती हैं आम आदमी को राहत दिलाने की दृष्टि से दी जाती हैं। बड़े कर्जदारों को बैंकों से कर्ज बड़ी आसानी से मिल जाता है। अक्सर यह देखा जाता है कि कर्ज उन्हीं उद्यमियों को दिया जाता है जो कि दूसरे बैंक से कर्ज लेते हैं और वहाँ डिफाल्टर घोषित हो जाते हैं। इसलिए ऐसे प्रयास किए जाने चाहिए कि वे उद्यमी या उससे संबंधित परिवारजन जो दूसरे बैंक से डिफाल्टर हो जाएँ उनको किसी अन्य राष्ट्रीयकृत बैंक से कर्ज मिलने की सुविधा उपलब्ध न हो सके वरना वे अलग-अलग नामों से कर्ज ले लेते हैं और बैंकों को अनावश्यक रूप से घाटे में जाना पड़ता है। तीसरा, तकनीकी आधार पर बहाना करके निर्णय करते में बैंक अधिकारियों द्वारा काफी देरी की जाती है और पक्षपात किया जाता है। इस पर भी गौर किया जाना काफी ज्यादा जरूरी है। और जो घाटे में शाखाएँ चल रही हैं उन शाखाओं के बारे में भी नए सिरे से विचार करना काफी ज्यादा जरूरी है। चौथा, मेरा सवाल स्मॉल स्केल इंडस्ट्रीज के सिलसिले के बारे में है। लगभग 2 लाख 17 हजार 436 स्मॉल स्केल इंडस्ट्रीज हैं और बड़ी इंडस्ट्रीज लगभग एक हजार 172 हैं जिनसे कि जो बैंकों से इनको कर्ज मिला हुआ है, स्मॉल स्केल इंडस्ट्रीज का लगभग एक लाख का आता है और बड़ी इंडस्ट्रीज का करीब तीन करोड़ रुपये का आता है। तो सरकार की तरफ से यह पैसा वापस लेने के लिए इन सिक इंडस्ट्रीज से, क्या इन्तजाम किए जा रहे हैं, विशेष रूप से जो बड़ी-बड़ी इंडस्ट्रीज हैं उनसे पैसा वापस लेने के लिए क्या इन्तजाम किए जा रहे हैं, क्योंकि इससे बड़े-बड़े व्यापारिक घराने ही लाभान्वित हो रहे हैं? चैंक बुक में जो सर्विस चार्जेज प्रारम्भ किए गए हैं, जो पहले नहीं थे, क्या मंत्री महोदय उन सर्विस चार्जेज को खत्म

[श्री सुरेश पचौरी]

करने के लिए विचार कर रहे हैं ? जूट व्यवसाय में जो बैंक्स कोई ध्यान नहीं दे पा रहे हैं, मंत्री महोदय : क्या उसमें पुनर्विचार करेंगे, क्योंकि एगो बेस्ड इंडस्ट्रीज की बात सरकार की तरफ से की जा रही है ? और लेबर ओरिएण्टेड इंडस्ट्रीज में क्या स्पेशल कंसिडरेशन मंत्री महोदय करना चाहेंगे, यह मैं जानना चाहूंगा ? अगला सवाल जो आई.डी. बी आई. से संबंधित है, यह वह फाईनान्स कॉर्पोरेशन जो इंडस्ट्रीज को लोन देती है, पहले यह व्यवस्था थी और मंत्री जी का भी वक्तव्य था कि वह अपने एक या दो मैन्बर्ज 1 मीनेट कर सकते हैं डायरेक्टर्स की हैसियत से, तो क्या मंत्री महोदय इस प्रकार की व्यवस्था करेंगे कि उनके एक या एक से अधिक डायरेक्टर्स उन इंडस्ट्रीज में नोमिनेट हों ? ताकि अनावश्यक जो हानि होती है, उसमें बचा जा सके ।

मान्यवर, मेरा एक महत्वपूर्ण सवाल यह है कि लोकसभा की जो आंकलन समिति बनी, मैं विस्तार में इसलिए नहीं जाना चाहता हूं क्योंकि समय की कमी है, उस आंकलन समिति ने जो अपनी रिपोर्ट प्रस्तुत की है अपना अध्ययन कर के, क्या उसे मंत्री महोदय गंभीरता से लेंगे और उस पर अमल करने जा रहे हैं ? साथ ही क्या बैंकिंग रेगुलेशन एक्ट, 1949 में वह संशोधन करेंगे ताकि बैंकों में होनेवाले छोटालों, गबन व धोखाधड़ी से बचा जा सके । मान्यवर, यही मेरे सवाल हैं क्योंकि समय बहुत कम है, मैं आपके माध्यम से यह निवेदन करना चाहूंगा कि बैंक्स का पूंजीगत आधार बढ़ाने हेतु प्रयास किए जाएं । साथ-ही-साथ जो बैंकवर्ड एरियाज हैं, जो पिछड़े हुए क्षेत्र हैं, जो गरीब क्षेत्र हैं, ऐसे जिले जो आयडेंटिफाई हो गए हैं, वहां बैंकों की शाखाएं खोली जाएं ताकि गरीबों और जो बैंकवर्ड क्षेत्र के लोग हैं, वे निश्चित रूप से लाभान्वित हो सकें । इस संबंध में मंत्री महोदय विचार करें ।

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Mr. Kiruttinan.

SHRI PASUMPON THA. KIRUTTINAN (Tamil Nadu): Mr. Vice-Chairman, I am very thankful to you for giving me this opportunity, (*Interruptions*).

PROF. MADHU DANDAVATE: Shall I get some time for reply?

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): You have said that you want to give a reply.

SHRI PASUMPON THA. KIRUTTINAN: You will be getting a lot of time to reply.

Mr. Vice-Chairman, I am very thankful to you for giving me this opportunity to take part in the very important debate regarding the rampant corruption and malpractices in the nationalised banks. My friend Mr. Gurudas Das Gupta has talked much about it. Sir, I was one among those who supported the nationalisation of bank? in 1969 while I was a Lok Sabha Member. My party, the DMK, was also one among the parties which supported nationalisation. But I regret to say, after Seeing the functioning of the banks after the nationalisation, (hat the very purpose behind the policy of nationalisation has been defeated. I agree that the volume of business transacted by the nationalised banks have increased manifold in the last few years. But the achievement of the banking sector cannot be judged merely by the reaching of quantitative targets. The quality of achievement and the degree of satisfaction which people derive from the banks will be and should be the main criterion for determining the success of the bankint? system in the country. In all these years, the rural population has been neglected by these banks. The public sector banks should be asked to orient their working as per the aspirations and satisfaction of people. I would like to know from the hon. Minister how far the nationalised banks have taken care of the agriculture sector to accelerate the growth of rural economy which is still the back-bone of this country. Sir. there have been corruption and malpractices in the nationalised banks. Nationalisation has



brought in corruption of two kinds. On the one hand... (*Interruption*).

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Please put your WBWS.... (*Interruptions*).

SHRI PASUMPON THA. KIRUTTINAN: ... ^ new c. ass of pov. er-bro-kers, who, through either coercion or the cooperation of the bank employees, channelise the funds of Government's various poverty alleviation programmes to their personal constituencies. Take, for example, the 'loan mela'. As my hon. colleague Mr. Gopalsamy has pointed out, this 'loan mela' was all along... (*Interruption*).

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Mr. Kiruttinan, we are very short of time.

SHRI TINDIVANAM G. VENKATRAMAN (Tamil Nadu): He has taken only one minute. Sir. I have been looking at the watch.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): He has already taken four minutes. (*Interruption*).

SHRI PASUMPON THA. KIRUTTINAN: In our state of Tamil Nadu the loans sanctioned during the years 1986-87 and 1987-88 could not be recovered because they were all given to the people who belong to the Congress party. Most of the loans were benami. In my district of Pasumpur this year, thousands of applications have not been processed and sanctioned because the bank employees say only 18 per cent of the loans given during the last period were recovered because all were benami. I would like to know how many of such benami cases have been brought to the notice of this Ministry. What actions have been taken all these years? Secondly, Sir, the other kind of corruption is that indulged in by the banking officials in the loans provided to the commercial sector. There is little or no accountability in the recovery of loans. The same officers who have sanctioned the loans write them off. There is no one to check whether the loans have gone to the right par-

ties or relatives or friends of the officers. Sir, I want to know from the hon. Minister how many such cases have been brought to the notice of the Finance Ministry and what the quantum of amount involved in such malpractices is. There are many public sector banks lending people's money to the big private sector and the people have to suffer because of the mismanagement of sick units in their fold. As my colleague Mr. Shivaji, pointed out, two of the most successful public sector banks had a profit of Rs. 55 crores and Rs. 88 crores respectively in the last financial year. They had bad and doubtful debt; totalling Rs. 67.6 crores and Rs. 27 crores respectively. Recently at the National Conference of Banks in New Delhi, banking officials expressed their serious concern at the poor quality of the credit-portfolio of the public sector banks. Their overdue advances to sick units are repeatedly in the region of Rs. 10,972 crores constituting 17.4 per cent of the total outstanding advances. Why the Reserve Bank allowed the public sector banks to accumulate all these years such huge outstanding advances, in the first place, needs to be clarified. Then regarding credit insurance system, the credit insurance system of the commercial banking system is on the verge of total breakdown. Gross interference by the politicians. Slackening of the accountability of banking officials and corruption are some of the factors influencing the deterioration of the credit guarantee system. Writing off the debts and claiming the same from deposit insurance and credit guarantee corporations becomes a convenient instrument for commercial banks to get back their money... (*Interruption*)

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Please wind Up.

SHRI PASUMPON THA. KIRUTTINAN: In view of this development I would like to know whether it is a fact that good borrowers are forced to pay the price on behalf of their defaulters. What is the actual amount involved in this type of malpractices?

Sir, the last question I would like to know from the hon. Minister is whether the Chief Ministers of West Bengal and Tamil Nadu have asked the Centre to em-

[Shri Pasumpon Tha Kiruttinan]

power the State Governments to monitor the activities of the nationalised banks in their respective States; if so, what the reaction of the Central Government is. They have said, "Unless State Governments are actively associated with the process of monitoring the performance of the banks, even, the rural development programmes envisaged will not succeed".

Thank you.

श्री ईश दत्त यादव (उत्तर प्रदेश) : मान्यवर, उपाध्यक्ष जी, मैं समय नहीं लूंगा, केवल एक निवेदन करना चाहता था कि देश की जो जर्जर अर्थ-व्यवस्था थी, उसको सुधारने में हमारे वित्तमन्त्री जी ने बहुत महत्वपूर्ण और सराहनीय काम किया है, लेकिन एक चीज मैं कहना चाहता था कि बैंकिंग प्रणाली में जो सुधार अपेक्षित था, वह सुधार हो नहीं पाया । आज भी जो साधारण किसान है, गरीब आदमी है, साधारण उद्यमी है, उसको लोन लेने के लिए अनेक प्रकार की कठिनाइयां उठानी पड़ती हैं, गुप्त-दान करना पड़ता है, जिसको भ्रष्टाचार कहते हैं । ... (समय की घंटी) ...

मान्यवर, मैं समाप्त कर रहा हूं, केवल एक उदाहरण माननीय वित्त मंत्री जी को देना चाहता था मेरे पास एक इस तरह का केस है, श्रीवास्तव का, पूरा नाम पढ़ें देता हूं और उसके बाद समाप्त कर दूंगा । यह शिरीष कुमार श्रीवास्तव हैं, बनारस हिंदू यूनिवर्सिटी से उन्होंने केमिकल इंजीनियरिंग में डिग्री प्राप्त की है और नोयडा में उन्होंने श्रीराम इंजीनियरिंग एंड मेनेजमेंट एसोसिएट नाम से पेंट का काम शुरू किया है । इन्होंने तीन बैंकों में एप्लाइ किया लोन के लिए, मैं इनके पेपर्स माननीय वित्तमन्त्री जी को दे दूंगा, आप इसकी जांच करवा लें । ये केवल ढाई लाख का लोन चाहते हैं अपना काम करने के लिए और इन्हें आज तक यह लोन नहीं मिल सका ।

मान्यवर, हमारी सरकार वचनबद्ध है काम के अधिकार को संविधान में

जोड़ने के लिए । अब नौकरी तो सबको दी नहीं जा सकती, केवल एक ही तरीका है, एक ही नुस्खा है छोटे उद्योग-धंधे लगाने का और बैंक से जब तक लोन नहीं दिया जाएगा आसान किश्तों पर, तब तक इसमें कामयाबी नहीं होगी ।

मैं चाहता हूं माननीय वित्त मंत्री जी से कि इसमें सख्ती करें ताकि बैंकिंग प्रणाली में अपेक्षित सुधार हो पाए और साथ ही मैं चाहूंगा कि एक्सपर्ट लोगों की या दोनों सदनों के माननीय सदस्यों की एक समिति बनाए ताकि अपेक्षित सुधार हों और आसानी से लोगों को ऋण मिल सके और जो कर्मचारियों और अधिकारियों की भी कठिनाई है, इसका भी निराकरण करने का प्रयास करें । धन्यवाद ।

SHRI JAGESH DESAI: I would like to point out a news item where the State Minister of Finance said that four of the nationalised banks would be given to the private sector. (Interruption). He made it very clear. He said it. When a Minister of the Government holding Finance speaks like that, there are some doubts created and doubts are created because you want to give Air Taxi to the private sector...

SHRI JAGESH DESAI: I would like to know from the honourable Minister what the policy of this Government is. Even the Prime Minister is saying that if the public sector departments are not having resources, we shall have a Plan holiday. I am surprised in what direction you want to go. And assuming that no nationalised banks will be denationalised...

PROF. MADHU DANDAVATE: He has said, he has made a statement... (Interruption).

SHRI JAGESH DESAI: Regarding appointment of director, by IDBI on

such companies where they have given by way of loan or equity sums amounting to a certain percentage, he assured me, we shall nominate directors. After he became the Finance Minister, after he gave that assurance, in how many companies has IDBI nominated a director? Thirdly, about reconciliation. Crores and crores of rupees are sealed in reconciliation. This is my own understanding. Lakhs and lakhs of entries are not reconciled. What machinery do you have to see that this reconciliation is completed in a specified period of time?

श्रीमती कमला सिन्हा (बिहार) :  
सर, मेरे को भी ... (व्यवधान) ...

उपसभाध्यक्ष (श्री भास्कर अन्नाजी  
मासोदकर) : नहीं, बस ।

श्री वीरेन जे० शाह : 4.00 बजे  
जब दूसरा होगा तब दूसरा पार्ट कल  
चलेगा क्या ?

THE VICE-CHAIRMAN (SHRI  
BHASKAR ANNAJI MASODKAR):  
Now the Finance Minister.

SHRI DIPEN GHOSH: The Finance  
Minister can speak only up to 4 o'clock.  
He will have to continue some other  
time.

PROF. MADHU DANDAVATE:  
What is there at 4 o'clock? Tea time?

SHRI DIPEN GHOSH: At 4 o'clock there  
is a Short-Duration Discussion on the  
National Security Council. Naturally the  
Finance Minister will have to continue later.

PROF. MADHU DANDAVATE: It  
can be slightly pushed.

THE VICE-CHAIRMAN (SHRI  
BHASKAR ANNAJI MASODKAR): Let us  
finish this.

PROF. MADHU DANDAVATE: Having  
come from the other House I really get  
confused as to the distinc-

tion between clarifications and a full-scale  
debate and also a Calling-Attention...

SHRI P. SHIV SHANKER: Become a  
Member of this House.

PROF. MADHU DANDAVATE:  
Whatever I learn here, I unlearn there. This is  
no aspersion. Jagesh Desai is here. He comes  
from a State legislature and, Sir, you also  
know it. In a Calling—Attention in order to  
extract a definite commitment from the  
Minister sharp questions are posed and they  
are expected to receive sharp answers. But  
here is a long debate and you will agree with  
me...

THE VICE-CHAIRMAN (SHRI  
BHASKAR ANNAJI MASODKAR): Just to  
impress upon you the points.

SHRI A. G. KULKARNI: Prof.  
Dandavateji, ours is a parliamentary de-  
mocracy; everybody has to participate.

PROF. MADHU DANDAVATE: I have  
no objection. (Interruption) I have no  
disrespect to the House. It is a participatory  
democracy, no doubt. I am glad that at least I  
have the opportunity to participate. I thought  
that the way the discussion was going on I  
wouldn't get the opportunity to reply.

I don't want to refer to each and every  
speaker because there are a number of points  
which are overlapping. Sir, as far as our  
friend, Shri Das Gupta, is concerned, he has  
given a note of warning not to be complacent.  
In fact, there is no room for complacency at  
all. I say this because, if I place before you  
and tell how dismal the picture is, you will  
see that there is no question of being  
complacent. By the end of 1989—because that  
is the year for which I have got the latest  
figures— if you take the SBI and its  
associates, the number of frauds is 615 and  
the amount involved is Rs. 19. 79 crores. As  
far as the other twenty nationalised banks are  
concerned, the number of frauds is 969 and  
the amount involved is Rs. 30. 43 crores.  
And, if you take the total picture of all the  
public sector banks, unfortunately, the total  
number

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of frauds is 1, 584 and the total amount involved in these frauds is Rs. 50. 2% crores in one year! I am sure, therefore, that no Finance Minister would like to take a complacent attitude at all even with this picture. Maybe; this is the tip of the iceberg.

SHRI JAGESH DESAI: Yes, yes it is like that only.

PROF. MADHU DANDAVATE: I do not know as the Finance Minister. But you may be knowing.

I was saying that there is no question of remaining complacent at all.

I fully agree with the fact that although out of the twenty nationalised banks only two have shown losses and the rest have shown profits, some Members have a doubt as to whether the picture is correct. I do not want to assert definitely whether it is right or wrong. But one thing I can tell you. It is better to err on the safer side. Therefore, I am one among those who want more transparency and more openness in all these transactions and the House will be happy to know that already the Government of India, in consultation with the Reserve Bank, has decided to change the entire system of accounts and also the format for the balancesheet of the public sector banks. The public sector banks should not follow the maxim, "Conceal as much as possible and reveal as little as possible". I think that system has to be changed and, therefore, the format is being changed. Already the suggestions have been worked out and we should not make a fetish of secrecy. No doubt, the secrecy clauses are there. But even with a greater degree of transparency and openness, there will be certain types of transactions that will have to be kept secret. In this connection, my greatest grouse is regarding<sup>1</sup> the loan melas. According to the Banking Companies Act, we are supposed to maintain a certain degree of secrecy about loans given and loans taken. But, if you have public meetings at maidans and if you go on announcing what the loans are that are being

given and also announce that no guran-tee, are there, I think that is total violation of secrecy. I do not want to cast aspersions on anyone. But I think this is a bad system even from the point of view of banking transactions. Though I do not want to take shelter behind secrecy, I would say that openness should not be to such an extent that at » stadiums and public maidans you go on distributing loans and go on announcing loans.

SHRI H. HANUMANTHAPPA; you are talking of loan melas. But, in (Karnataka, under the Janata Government, there were site melas!. {Interruptions}.. There were site melas.. (Interruptions)...

PROF. MADHU DANDAVATE; Do, not sink the entire debate to that level. 'I may tell you that even if my party and my Government were to do it, I would say that this is a very wrong thing to do. This cuts across party lines.

4. 00 P. M.

What I am saying now is that it is a question of maintaining a certain degree of secrecy about certain transactions. But where we need not try to be open we are trying to be open, and where we are trying to be open we are trying to... (Interruptions) I said that where we need not be open we are secreted, and where we need not be somewhat secreted we are trying to be open. I do not want to take cover behind this clause of secrecy at all. I think there must be maximum...

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): "Mr. Finance Minister, if I am not disturbing you, how much time will you take? Be brief.

PROF. MADHU DANDAVATE: I will try to be brief, because all the friends are convinced! I won't take much time for convincing them. (In- ^ terruptions) I am accepting your conviction!

SHRI GURUDAS DASGUPTA (West Bengal): Please do justice to the subject. Let him answer all points. This is a matter of national importance.

PROF. MADHU DANDAVATE: You will be thoroughly satisfied. I am going to take up all important points, but not in a lengthy manner. I am going to do it precisely.

One, we accept the change of format for public sector; a greater transparency and a greater degree of openness. Two, the accounting system has to be changed. There is no doubt about it. Three, there should not be the pretext of secrecy in order to see that the right of information is denied to the clients as well as to Parliament. Four, Mr. Viren Shah has rightly said that there must be a greater degree of autonomy in the functioning of banks and he said, 'structural change'. I accept that with a slight rider that functional autonomy becomes meaningless unless it is within the framework of accountability. Therefore, there should be autonomy subject to accountability. If there is autonomy and there is no accountability either to Parliament or to customers, in that case such an autonomy is going to create anarchy. And that point has also to be taken note of.

[The Deputy Chairman in the Chair]

As far as profits are concerned, our friend <sup>who</sup> initiated the debate said that only two banks are supposed to show losses. He has pointed out certain degree of adjustment of accounts. According to him, 12 banks are supposed to have losses. And according to him that is done because of the fact that in some cases the bonus was not shown in the account. In some of the cases other expenditures were not shown in the account, and as a result of that it appears that there is a marginal profit. I do not want to make an assertion that this point of view is correct. But I can assure you this much. But assuming that there are cases of malpractices which they have pointed out, I do not propose to set up another Banking Commission. Sir, here we have got the report of the Banking Commission...

THE DEPUTY CHAIRMAN: Madam!

PROF. MADHU DANDAVATE: I am sorry; Madam. Madam^ no allegation. (Interruptions)

Madam, here is the report of the Banking Commission. Many of the criticisms that have been levelled by the hon. Members on the floor of the House have been indicated already in the criticism that has been offered in the Banking Commission. Unfortunately, they are very good at pointing out the principles but sometimes they are very weak in the implementation. We can assure you that there is no question of setting up another Banking Commission. But we will have some institutional device, Mr. Das Gupta, by which many of the malpractices to which you have made reference we will try to go in depth about them and try to see that they are eradicated so that whatever accounts of profit and loss that are presented in the accounts will be correct ones.

There is also one more aspect to which I would like to draw your attention, and that is the write-off of loans. In fact, there are definite norms, and if the norms that have been prescribed by the Reserve Bank are followed in that case there will be no malpractices. As far as the write-off of debts is concerned, the Reserve Bank has been requested to see that through various devices that are available at their disposal, they should be able to ensure that writing off of debts on flimsy grounds and giving the advantage only to certain vested interests is avoided, so that this is not used as a cover in order to commit fresh malpractices.

Many Members, instead of referring to the corruption and malpractices, have gone into the working of the banks. Our friend who initiated the debate challenged the very contention that it is because of the expansion of the banks that has taken place on a larger scale. I have given all the facts and figures regarding the exact investments, advances and deposit mobilisation and how far the banks have expanded. I do not contest that all these malpractices have come in because of the expansion or growth on a very large scale. But I would

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definitely say that if the expansion of the banking system takes place and at the same time if adequate machinery is not provided to make the expanded industry quite efficient and if steps are not taken to plug all the loopholes of corruption and malpractices, expansion leads to malpractices.

SHRI GURUDAS DAS GUPTA: Is it the problem of growth?

PROF. MADHU DANDAVATE: No. No. Therefore, I am trying to point out that it is not the inevitable characteristic of growth or expansion. But these are the distortions and aberrations that are created. Along with expansion and growth certain inbuilt devices are to be provided and to the extent if we fail, there is a gap between the expansion of the banks and requirements of efficiency as well as integrity. We will try to see that these devices are provided.

Some friends said—I think it was Mr. Sen who referred to that—that sometimes if some sort of corruption or malpractices are detected or pointed out in the functioning of certain banks and in their transactions, the very people who are supposed to be responsible for those malpractices are entrusted with the responsibility of inquiring into the malpractices. Here I would like to point out that a multiplicity of institutions are there for detecting corruption and malpractices. No doubt, there is a banking vigilance machinery. There is the vigilance machinery of the R. B. I. There is also central vigilance machinery. In addition to that, sometimes if the Government feels that it is necessary to entrust the entire investigation to the C. B. I., even that type of investigation is possible. Therefore, we shall take proper precaution to ensure what whenever certain corruption and malpractices are pointed out, those cases are not entrusted to a machinery with which those who are supposed to be or alleged to be corrupt are associated. Therefore, out of these four instruments that are available for inquiry, we will try to take care of choosing the suitable Instrument.

It has also been pointed out that sometimes politicalisation of the entire banking system is also responsible on the one side for malpractices and corruption and on the other side for eroding the efficiency of the organisation. In this respect, some Members referred to the appointment of the Members and Chairman of the Board. I think Mr. Morarka pointed out that one can understand the committee consisting of various officials including the Governor of the Reserve Bank, the I. B. officials and others to make a choice and to make recommendations regarding the Chairman and other Members of the Board. But why should the non-official Board Members be suggested by them? I wish to make it clear that not only the non-official members of the Board but the official members of the Board can be recommended and suggested by committees, but ultimately it is left to the Finance Minister either to accept or to reject them. Finally, we have the right and responsibility to see that if some sort of clique takes place or if some sort of manipulation is there, the final right is with the Finance Minister. We will make wider consultations. Even the Members of Parliament can make suggestions. They have made ample suggestions. A large number of names have been sent by them. They belong to various professional classes. They belong to various interests such as agriculture, industry, small-scale industries and trades and trade unions. We will take note of all of them. Of course, it is always not possible to satisfy all. For instance, for 78 to 90 seats on the Board that have to be filled up, I have received from various legislators and Members more than 3500 suggestions and they still coming in. The flow has not stopped. So, it will not be possible to accept the suggestion of every legislator. But we will try our best to ensure that these suggestions are taken note of.

There was also a suggestion by some Members that no doubt the inputs of certain banking transactions have gone up, but as a result of that the service charges that have increased are disproportionate with the inputs which have become costly. We will try to examine this problem and we will try to see that there is no disparity. That also means that since the prices of

inputs have gone up, we will have to increase certain service charges and accordingly we will have to take the necessary steps. One concrete allegation has been made, and my opinion has been sought. The question asked by some of the Members is: Is it true that some of the officials had dictated that the banks must have a particular dividend declared. I will definitely enquire into the matter. But it is not the intention of the Finance Ministry to dictate to the banks as to what should be the dividend rate. And if I find that any sort of distortions have taken place, I assure the hon. Members that they will be totally eliminated. As far as the efficiency is concerned, there is one more aspect to which many Members have made the reference. I will refer to that. For instance, while giving the loans, it has been alleged that sometimes there is a hiatus between the officials or some other members of the Board and also those who are seeking loans. It is also pointed out that one section actually is responsible for the mobilisation of deposits and an altogether different section is able to monopolise the credit facilities. I checked all this, and irrespective of the Government, whether the past or the present, I find, despite this complaint, 40 per cent of the loans are given to the priority sector. It is true that still greater percentage should be available to the priority sector. But we will ensure that while the agriculturists, the small scale sector, workers, peasants, and all of them contribute a lot towards the deposit mobilisation, we will not allow a few rich and vested interests to monopolise the credit facilities, and there will be a balance between the deposit mobilisation on the one side and also the credit facilities on the other, and a third important aspect is also the need-based aspect of loans to be given because the loans must be given to those sectors where we will be able to have productivity activities out of the those loans. And here let me conclude that norms of credit-worthiness are also required to be reformed. For instance, if a poor man or an agriculturist or a small-scale man goes to the bank and asks for loan, the first question asked by the banker to him is: What is your credibility, what is your credit-worthiness? And that illiterate man gives the reply, 'If I

had credit-worthiness, I would not have come to the bank to get the loan.' Therefore, I think, the time has come when the olden traditional norms of credit-worthiness must be changed. Property is a norm; wealth is a norm; income-tax is a norm. But, in this country where productivity activity goes on, even the capacity of a working man to produce more and generate better production, his capacity and potential for production is, unfortunately, not taken as one of the norms of creditworthiness, and we will try to examine whether the capacity of the toiling masses to generate wealth and also to produce can be given some sort of weightage so that they will be able to get the necessary credit facilities. I do not want to go....

SHRI VIREN J. SHAH: Would you refer to the suggestion about winding up the Department of Banking in the Ministry of Finance?

SHRI GURUDAS DAS GUPTA: Madhuji, what about the borrowing from the call money market and also share speculation by the Banks?

PROF. MADHU DANDAVATE: I tell you. Both of them are aberrations and distortions. I fully agree with him. I myself from the Opposition has demanded that these aberration and distortions must be corrected, and we will try our best to see that these distortions are eliminated. As far as Mr. Viren Shah is concerned, he has made a suggestion that there should be autonomy of the banking structure, and there is no need of the Banking Department in the Ministry of Finance at all.

SHRI VIREN J. SHAH: Because RBI has said it.....

PROF. MADHU DANDAVATE: I told the House in the beginning that there are various layers at which we function. And if the suggestion is that we should completely abolish the Banking Department in the Finance Ministry, I would not fully agree with it. There might be some inadequacies, there might be some distortions. But I do not believe in the philosophy of throwing the baby with bath-water. And, therefore, it is better to clean the bathwater and give the baby a better bath rather than throwing the baby with the bath-water. I myself personally find that

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i» working out all these methods methodically, the Banking Department definitely acts as a bridge between the various banks, the Reserve Bank and also the Finance Ministry. And I do not want that particular base to be demolished. By and large, I have accepted most of the important suggestions that have been made. I tried to be as brief as possible....

SHRI A. G. KULKARNI: What about putting the nationalised banks under some Parliamentary Committee like the PUC?

PROF. MADHU DANDAVATE: I am coming to that. I am sorry, the most important point was missed.

SHRI SUBRAMANIAN SWAMY: What about the abolition of the Finance Ministry? *(Interruptions)*

PROF. MADHU DANDAVATE: Madam, I can draw from my own experience. I was a Member of the Estimates Committee of Parliament for a long time. I was the convenor of the banking section of the Estimates Committee. The Public Accounts Committee had also done that. I am one of those who believe that rather than having a new Banking Commission, if we allow more powers to the Public Accounts Committee^ the Estimates Committee—I agree, even to the Public Undertakings Committee and if these Committees are able to have a greater and deeper study of the problem—the reports of these Committees have been quoted extensively here—that itself will be a very good pressure on the working of the various banking institutions. I fully welcome Appasaheb's suggestion. I want greater participation of these Parliamentary Committees so that it will be an indirect and effective Parliamentary control over the banking system. Thank you.

THE DEPUTY CHAIRMAN: We shall now take up the short duration discussion regarding the Constitution of a National Security Council. *(Interruptions)*

SHRI TAGESH DESAI: Madam, what has the Finance Minister to say about the

news—reported observation by Mr. Anil Shastri—that four banks were going to be denationalised?

PROF. MADHU DANDAVATE: I think, you have not taken note of the contradiction that has come. I wish to make it clear. It is feared that the Finance Ministry or the Government of India is going in for denationalisation of some of the banks. It is a completely baseless proposition and I assure you that whatever has been done will not be reversed.

THE DEPUTY CHAIRMAN: Now, let us take up the Short-duration Discretion. Shri Shiv Shanker.

SHRI VITHALRAO MADHAVRAO JADHAV (Maharashtra): Madam, on a point of order. It was said that after the Calling-Attention Motion, the Special Mentions would be taken up. Now, the Calling-Attention is over. But you are taking up the Short-duration Discussion. I would like to know, by what time the Special Mentions would be taken up?

THE DEPUTY CHAIRMAN: We have two hours for this discussion. According to the List of Business, we should have started this discussion at 4 p. m. However, since the Finance Minister was half-way through his speech, we thought that after he concludes, this discussion could be taken up. We will have two hours from now for this. If we try to complete it earlier, we can take up the Special Mentions.

SHRI VITHALRAO MADHAVRAO JADHAV: At 6 p. m., we have a statement which is to be followed by the Half-an-hour Discussion. Therefore, it is necessary that we, should know as to when the Special Mentions would be taken up.

THE DEPUTY CHAIRMAN: We can complete it as early as possible, with the co-operation of all of you. Shri Shiv Shanker please.