

not possible to create a sufficient national consensus over a proposal which came from one State of the country for the nation, as a whole, to accept it in this House and, please don't forget that the Bill is dated, 1999. So, there was an entire five-year period during which such a consensus could have been created if it were possible. Then, since the arrival of our Government, it is close to two and a half years have passed, we have, still, not been able to evolve a consensus. It does not appear appropriate for us to amend the Constitution in this manner and hence, a Bill which has not secured the consensus of the nation over a period of seven years is sought to be withdrawn. I seek the leave of the House to do so.

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

SHRI MANI SHANKAR AIYAR: Sir, I withdraw the Bill.

**The Banking Companies (Acquisition and Transfer of Undertakings) and  
Financial Institutions Laws (Amendment) Bill, 2006**

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): Now, we will take up The Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2006.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Sir, I beg to move:

"That the Bill further to amend the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, the State Bank of India Act, 1955, the State Bank of India (Subsidiary Banks) Act, 1959, the Deposit Insurance and Credit Guarantee Corporation Act, 1961, the Export-Import Bank of India Act, 1981 and the National Housing Act, 1987, as passed by Lok Sabha, be taken into consideration."

Sir, the purpose of this Bill is to improve corporate governance in our banking system especially in the public sector banks. The main features of the Bill are: (1) to increase the number of whole time directors from the existing two to four; (2) to provide for nomination of a director on the recommendation of the RBI by the Government of India; (3) to delete section 9 (iii) (d) provided for nomination of not more than two directors from SEBI

and other financial institutions. (4) to amend section 9(iii)(1) to provide for a maximum of three elected shareholders, directors on the Board. (5) to enable the shareholders to discuss, adopt and approve the annual accounts and the balance sheet of the banks at the AGM. (6) to prescribe annexing of the details of a subsidiary or subsidiaries such as balance sheet, profit and loss account and report of auditors along with the annual report of the bank. (7) to enable the banks to transfer the unclaimed dividends for over seven years to the Investor, Education and Protection Fund established under the Companies Act. (8) to enable supersession of the Board of Directors of weak, potentially weak banks for a period of six months and to appoint an administrator, to amend relevant statutes relating to banks and financial institutions prescribing the term of non-official elected directors other than workmen, officer employed directors as three years subject to further re-appointment election with total continuous period, not exceeding six years. The Standing Committee presented its report on the 24<sup>th</sup> April, 2006. The Committee broadly agreed with the amendments. In the course of the Committee's deliberations, however, certain issues which mainly relate to the statutory framework pertaining to the capital structure and supersession of boards of weak or potentially weak public sector banks *vis-a-vis* the provisions envisaged for the private sector banks came to light. As a consequence, thereof, Government in consultation with RBI proposed the following further changes in the Bill: (1) issues relating to issue of preference shares by the nationalised banks as per the guidelines framed by RBI. (2) fit and proper criteria for elected directors;

(3) Super-session of the Board and appointment of an Administrator.

The Committee accepted the Ministry's aforesaid suggestions. The Committee also recommended the following modifications to the Bill:

1. Elected directors will be rendered excess with the coming into force of the proposed amendment should be allowed to complete their term of office;
2. To incorporate appropriate provisions in the scheme to provide for mandatory initiation of prior action for filling up the vacancies in the Boards three months in advance to their likely occurrence;
3. To have a re-look at the general regulations relating to convening and conduct of AGMs of banks so as to assess

the requirements of changes needed therein in the light of the proposal to enable for approval and adoption of the balance-sheet, accounts, in addition to discussing them;

4. Necessary changes to be carried out to the proposed Section 10(c) so as to make them in conformity with the Companies Act;
5. Changes to be made in the amendment proposed to provide for legitimate space to *bona fide* claimants of dividend amounts even after the seven-year time stipulation;
6. Appropriate changes to be carried out in the provisions/regulations to specify the qualifications of the administrator;
7. Replacement of Section 18(a) to 18(f) defining the office of Financial Restructuring Authority in view of the changes made by replacing that Authority by the Administrator;

The recommendations of the Standing Committee were examined and analysed by the Government. And, it was proposed to make amendments to the Bill as per the recommendations made by the Standing Committee and on the basis of a consensus reached in our discussions with certain hon. Members of the House.

As per the provisions of the Companies Act, as amended in 1999, once the unclaimed dividend is transferred to the Investor, Education and Protection Fund, the claimant will lose all rights to the money representing unpaid/unclaimed dividend under the Companies Act. In other words, after seven years, claims are debarred. Therefore, this will require an amendment to the Companies Act. Thus, necessary amendments to the Banking Companies (Acquisition And Transfer Of Undertakings) Act can be made in this respect when the Companies Act is amended. After obtaining the approval of the Cabinet, we have introduced amendments to the Bill. The amendments have been passed by the Lok Sabha. This Bill, when it becomes law, will substantially improve corporate governance in our banking system..

I request the hon. House to consider and pass this Bill.

*The question was proposed*

श्री रामदास अग्रवाल (राजस्थान) : उपसभाध्यक्ष जी, माननीय वित्त मंत्री जी ने The Banking Companies (Acquisition And Transfer Of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2006 सदन के सामने विचारार्थ रखा है। उपसभाध्यक्ष जी, यह संशोधन बिल जिस उद्देश्य से वित्त मंत्री जी ने यहां पर रखा है और उसमें जो निहित भाव है, उसका विरोध करने का कोई कारण नहीं है। 1970 में कुछ बैंकों का राष्ट्रीयकरण, 1980 में एक्ट बनाया गया और अभी जो संशोधन बिल रखा गया है, स्टैंडिंग कमेटी में डिसकस होने के बाद, यहां पर प्रस्तुत किया गया है। मैं ऐसा समझता हूं कि यह जो बिल तैयार किया गया था, वह प्रिवियस गवर्नमेंट के द्वारा तैयार किया था और उसके बाद स्टैंडिंग कमेटी के पास विचारार्थ चला गया, वहां पर डिसकशन होने के बाद, यहां पर यह बिल प्रस्तुत किया गया है। मैं इसलिए इस बात का रेफरेंस दे रहा हूं, क्योंकि माननीय मंत्री जी ने कहीं एक बात कही है और स्पष्टीकरण के लिए मैं एक बात कह रहा हूं कि राजग सरकार, प्रिवियस गवर्नमेंट शायद नेशनलाइज्ड बैंक्स की शेयर होल्डिंग 33 परसेंट करना चाहती थी। उन्होंने इसमें लिखा है कि हम उसको स्वीकार नहीं करते हैं। आप स्वीकार करें या नहीं करें, यह आपका विषय है, लेकिन आप स्वयं बहुत सीनियर एडवोकेट हैं और वित्त मंत्री हैं। आप इस बात को जानते हैं कि 33 परसेंट शेयर होल्डिंग रखने के बाद भी, अगर कानून में प्रावधान होता है कि इन बैंकों का सरकारीकरण, राष्ट्रीयकरण निरस्त नहीं होता। इसीलिए राजग सरकार ने यह बात रखी थी कि हमारा उद्देश्य इनको प्राइवेटाइज करने का नहीं था। हमारा उद्देश्य इनकी शेयर होल्डिंग कम करना था। वह उसके कारण हैं, मैं आज उसमें नहीं जाऊंगा। माननीय उपसभाध्यक्ष महोदय, कानून जो भी बनाया जाता है, बैंकों के संबंध में स्पष्ट रूप से यह कल्पना की जाती है कि आज के ग्लोबलाइजेशन के टाइम पर, ऐसे वक्त पर हम सब इस बात का एनालीसिस करें कि ये सारे नेशनलाइज्ड बैंक्स क्या आज के सारे वातावरण में उतना एफिशिएंटली काम कर रहे हैं? आज इनके ऊपर जो दायित्व हैं - किसानों को ऋण देना, हाउसिंग लोन देना, छोटे-छोटे व्यापारियों को लोन देना, बड़े इंस्टीट्यूशंस को लोन देना - ये सारे काम बैंकों के हैं, क्या उन्हें वे पूरा कर पा रहे हैं? वैसे कृषि लोन के बारे में मेरा जो प्रश्न था, उसका समाधान तो माननीय कृषि मंत्री जी ने स्वयं अभी अपने वक्तव्य में यहां कर दिया है, जब उन्होंने स्वयं ने वित्त मंत्री जी के सामने कहा कि कृषि क्षेत्र में जितना धन बैंकों के द्वारा लगाया गया है, वह संतोषजनक नहीं है। उसका उत्तर तो माननीय वित्त मंत्री जी, जब समय आएगा, तब देंगे। लेकिन यह बात सही है कि बैंकों का जो कार्य है और उनका जो दायित्व है, आप उसकी समय-समय पर समीक्षा अवश्य करते होंगे - हर सरकार करती है - और उस समीक्षा में मैं एक बात और जोड़ना चाहता हूं, क्योंकि अब विदेशी बैंक भी यहां काम करते हैं, आपके प्राइवेट बैंक्स भी काम कर रहे हैं और सरकारी बैंक भी हैं। इन तीनों बैंकों के कार्यकलापों और प्रणाली के संबंध में आप कंपैरेटिवली कोई ऐसा वक्तव्य दें कि इन तीनों क्षेत्रों में काम करने वाले बैंकों के मुकाबले में, उनकी प्रतिस्पर्धा में हमारे राष्ट्रीयकृत बैंक, जिन पर हमें गर्व है, वे बैंक कितना अधिक उनके साथ कम्पीट करके सफल हो रहे हैं? इस बात की जानकारी हमें देनी चाहिए ताकि हम यह समझ सकें कि हमारे राष्ट्रीयकृत बैंकों की स्वायत्तता, उनको दिए गए अधिकार कितने अधिक सफल हो रहे हैं और वे अपने कार्यक्षेत्र में कितना देश की जनता के हित में काम कर रहे हैं। उपसभाध्यक्ष

महोदय, जब भी हम बैंकों की चर्चा करते हैं, स्वाभाविक रूप से यह बात सामने आएगी कि क्या हमारे राष्ट्रीयकृत बैंक स्वायत्त हैं? क्या उनको जो अधिकार मिलना चाहिए, वह मिला हुआ है? क्या उन बैंकों के जो चेयरमैन हैं या सीएमडीज़ हैं या बोर्ड ऑफ डायरेक्टर्स हैं, उनके पास जो शक्तियां निहित हैं, जो अधिकार उनको प्राप्त हैं, उन अधिकारों के द्वारा क्या वे बैंकों का संचालन सही प्रकार से कर रहे हैं? यह प्रश्न हमारे सामने आता है। कभी-कभी ऐसे समाचार जानने को मिलते हैं, हमने यह सुना भी है और यह सही भी है कि जब बैंकों में डायरेक्टर्स की नियुक्तियां होती हैं, उस समय डायरेक्टर्स की क्षमता, योग्यता और दक्षता - इसका विचार नहीं होता बल्कि उनकी नियुक्तियों के समय यह सोचा जाता है कि यह किसका आदमी है, किस पार्टी का आदमी है या किसके द्वारा रिकमेंड किया गया आदमी है। हमारे बैंकों में डायरेक्टर्स की नियुक्तियां उस समय इस प्रकार से हुई हैं। लेकिन अभी जो वक्तव्य आदरणीय वित्त मंत्री जी ने पढ़ा, उससे मुझे लगा कि अब जो डायरेक्टर्स की नियुक्तियां होंगी, एकजीक्यूटिव डायरेक्टर्स की या कार्यकारी निदेशकों की, उनकी नियुक्ति थू रिज़र्व बैंक होगी। अगर हम इसका सही रूप से पालन करें तो यह अच्छा लक्षण है। वैसे तो हमारे यहां पर, इस सदन में माननीय विमल जालान साहब बैठे हैं, जो रिज़र्व बैंक के गवर्नर रहे हैं, वे अथॉरिटी हैं, वे पिछले अनुभवों और भविष्य के बारे में शायद आज की चर्चा में बहुत महत्वपूर्ण योगदान दे सकेंगे। लेकिन मैं वित्त मंत्री जी से यह जानना चाहता हूँ कि इन सारी व्यवस्थाओं के बावजूद, जैसा हम सोचते हैं, वैसा अंत में हो नहीं पाता क्योंकि आज बैंकिंग सिस्टम का, बैंकिंग प्रणाली का योगदान हमारे देश के जीडीपी में 40 परसेंट से ज्यादा नहीं है।

आज उनको अगर सारे क्षेत्र में काम करना है, देश में इसका विस्तार करना है, तो यह स्वाभाविक रूप से आवश्यक है कि इसका योगदान बढ़े। अब आप कितना बढ़ा सकते हैं, इसको 75 परसेंट तक ले जाएं, 80 परसेंट तक ले जाएं, दूसरे देशों में कितना है, इसकी जानकारी आप देंगे, लेकिन मैं समझता हूँ कि दूसरे देशों के मुकाबले में हमारी बैंकिंग प्रणाली का जो योगदान है, वह अभी शायद पचास परसेंट, साठ परसेंट से ज्यादा नहीं है। इसका अर्थ यह है कि बैंकिंग प्रणाली को और भी अधिक effective करने के लिए आपके पास असीम संभावनाएं हैं और जब आपके पास असीम संभावनाएं हैं, तो आप इस बैंकिंग प्रणाली को इस प्रकार से बनाएं, जिससे कि यह एक प्रभावी बैंकिंग प्रणाली बने और यह एक मॉडल बनकर सारे देश में प्रस्तुत हो सके। उसके लिए आवश्यकता है कि आप ऐसा विधेयक ला रहे हैं, अच्छी बात है। अनुभव से धीरे-धीरे उनमें सुधार होता है, धीरे-धीरे उनमें जानकारीयां प्राप्त होती हैं, लेकिन बैंकिंग व्यवस्था के विस्तार की असीम संभावनाओं को देखते हुए यह आवश्यक है कि आज राष्ट्रीयकृत बैंकों की जितनी शाखाएं हमारे गांवों में हैं, बहुत कम हैं। जहां इतने वर्षों के बाद भी, आज 36 साल नेशनलाइज्ड बैंकों को हो गए, उसके बावजूद आज की तारीख में भी नेशनलाइज्ड बैंकों की शाखाएं गांव-गांव में इतनी नहीं हैं, जितनी आवश्यक हैं। क्या हम इस प्रकार की सारी व्यवस्थाएं करने के बावजूद बैंकों की शाखाओं का विस्तार निश्चित रूप से कर पाएंगे? क्योंकि हम जब भी चर्चा सुनते हैं, विधेयक पर, बैंकिंग प्रणाली पर या अन्य वित्तीय विधेयकों के संबंध में, उस समय यह बात कही जाती है, assurance दिया जाता है कि बैंकों के कार्य का विस्तार होगा। महोदय, मैं चाहता हूँ, वित्त मंत्री जी कम से कम हमें सूचना दें कि गए तीन वर्षों में कितनी बैंक की शाखाएं आपने रूरल एरियाज़ में खोली हैं, जिसके कारण किसानों को या वहां पर रहने वाले छोटे लोगों को, वहां पर रहने वाले मध्यमवर्गीय लोगों को कितना उसका लाभ मिल पाया है, इसकी जानकारी हमें मिलनी चाहिए, ताकि हम यह समझ सकें कि

हमारे राष्ट्रीयकृत बैंकों को जितना अधिकार हम देना चाहते हैं, उस अधिकार के मुताबिक वे अपना काम आगे बढ़ा रहे हैं और वह संतोषजनक है, ऐसा हमको मानना चाहिए। लेकिन जब तक इस बारे में जानकारी वित्त मंत्री न दें, तब तक ये सवाल हमारे सामने खड़े रहेंगे और उनका उत्तर हमें उनसे प्राप्त करना चाहिए।

उपसभाध्यक्ष महोदय, Directors के appointments के बारे में, अभी जैसा वित्त मंत्री जी ने कहा, मैं चाहता हूँ कि Directors के appointments में, अभी चार Director appoint करने की बात कर रहे हैं, इसके लिए रिजर्व बैंक के थ्रू ये नाम आएंगे, लेकिन मैं आपसे चाहता हूँ कि बाकी जो Directors appoint होते हैं, और भी बैंकों में, उनकी नियुक्तियों के लिए भी कुछ पारदर्शी व्यवस्था स्थापित कीजिए, कुछ transparency स्थापित कीजिए। उसमें हम अपने मर्जीदानों को भरती करें, उससे बैंकों का फायदा नहीं होता है, किसी व्यक्ति का फायदा हो सकता है, लेकिन हम मर्जीदानों को जब भरती कर देते हैं, तो इस व्यवस्था में कहीं न कहीं कोई कीटाणु लग जाता है, जो वहां जाकर बैंक को नुकसान पहुंचाने की कोशिश करता है, इसलिए मैं चाहता हूँ कि Directors के appointments के बारे में भी हमारे वित्त मंत्री महोदय कोई ऐसी व्यवस्था करें, जिसमें किसी प्रकार से पक्षपात या जिसमें किसी प्रकार से मर्जीदानों को भरती करने का मौका न मिले, यह मेरा उनसे एक प्रश्न है, जिसके बारे में उन्हें विचार करना चाहिए।

महोदय, श्रीमान् मंत्री जी ने एक लाइन बहुत अच्छी लिखी है, मैं पढ़ना चाहता हूँ, । appreciate, कि उन्होंने इसको बहुत गंभीरता से लिया है। यह जो बिल आपने दिया है, उसका पेज नंबर 3 और क्लॉज नंबर 15, उसमें आपने लिखा है और शायद यह Directors के बारे में है in sub-section 2, the words "Shall be entitled to discuss, approve and adopt". This is really very good. अगर किसी बोर्ड में कोई व्यक्ति बैठा है और वह केवल डिसकस करेगा, तो कोई मतलब नहीं है, वह अपने व्यूज दे देगा। निर्णय करने का अधिकार किसी दूसरे के पास है। आज अगर आप यह अधिकार दे रहे हैं कि वह डिसकस भी करेगा, एडॉप्ट भी करेगा, एप्रूव भी करेगा, तो यह बहुत अच्छी बात है, अच्छा लक्षण है। इससे हमारे बैंकों में अच्छे प्रकार से डिसकशन होगा, अच्छे प्रकार से निर्णय लेने में सफलता मिलेगी, लेकिन महोदय, मैं यह बात फिर रिपीट करना चाहूंगा कि यह सफलता तभी मिलेगी, जबकि योग्य, सक्षम और दक्ष Director उसमें नियुक्त किए जाएंगे।

अन्यथा वहां पर भी जैसे कई-कई बार हम लोग भी यहां बहस करते हैं और उस बहस का अंत नहीं होता, वैसे ही बैंकों के अंदर भी ऐसी कोई व्यवस्था न बन जाए, जहां पर केवल आपस में बहस होकर मामले खत्म हो जाएं। आवश्यकता इस बात की है कि बैंकों के total mechanism को हम ऐसा मजबूत बनाएं कि जिससे देश की आर्थिक व्यवस्था में उनका जितना योगदान हो सके, उतना योगदान हम प्राप्त करें, ताकि बैंकों के बारे में हम यह कह सकें कि आप विदेशों में जाकर यह कह सकें, वित्त मंत्री महोदय, आप विदेशों में जाते हैं, You go to foreign countries. You can say that in the world market, our banks are really working for the nation, and for the upliftment of all the people of this country, तब तक हम संतोष नहीं कर सकते। चाहे आप कितने ही Directors बना दीजिए, चाहे आप बैंकों की कितनी ही branches खोल दीजिए, चाहे आप कितने ही लोगों की नियुक्तियां करके, बड़े-बड़े अधिकारी बना दीजिए, हम तब तक अपने आपको गौरवान्वित महसूस

नहीं कर सकते, जब तक हम यह न कह सकें कि हमारा रिजर्व बैंक, हमारा State Bank of India और हमारे अन्य राष्ट्रीयकृत बैंक निश्चित रूप से यह कहने की स्थिति में हैं कि वे model bank बनकर, model banking व्यवस्था बनाकर देश के अंदर काम कर रहे हैं और अगर वे इस तरह से देश में काम करेंगे, तो अच्छा होगा। देश के वित्त मंत्री की यह स्वाभाविक इच्छा है कि देश का आर्थिक तंत्र मजबूत हो, देश का आर्थिक ढांचा मजबूत हो, वह प्रगतिशील बने, यह आपकी स्वाभाविक इच्छा है और हम सब लोगों की भी यही इच्छा है। मुझे विश्वास है कि इस इच्छा की पूर्ति हो सकती है। आपने मुझे इस बिल पर बोलने का अवसर दिया, इसके लिए मैं आपका आभारी हूँ। धन्यवाद।

SHRI SANTOSH BAGRODIA (Rajasthan): Thank you, Mr. Vice-Chairman, Sir. I rise to speak on this Bill, i.e., the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2006. I support the Bill. But there are a lot of comments which I would like to make before I go into further details. My good friend, Shri Ramdas Agarwal, has said that the hon. Minister has mentioned somewhere that the NDA Government had the intention to bring the shareholding of these Public Sector Undertakings to 33 per cent; even then, that will not be privatisation. I cannot understand under which law a minority shareholder can control the management of an organisation.

**श्री रामदास अग्रवाल :** दुनिया के बाजार में single shareholder भी, minority shareholder के आधार पर control करके चलते हैं।

SHRI SANTOSH BAGRODIA: Sir, how do they manage it? Shri Ramdas Agarwal is an industrialist himself. He knows that they may have 33 per cent holding. They may have even five per cent or ten per cent holding. But they know how to look after the interests of other shareholders, and they also know how to manage with their friends and relations. That is how they manage it. Only on paper, it might look ten per cent or five per cent. It is even three per cent in some cases, I am told. But let me tell you that a clear management is only when you have more than 51 per cent shareholding. *De-facto* or *de-jure*, it will be privatisation if it is less than 51 per cent. That was the intention of the NDA Government. We should not deny that. You should be courageous enough to say; that was our intention. It is not that we say something and our intention is something else. Sir, I will go into the details a bit later.

Shri Ramdas Agarwal has mentioned about appointment of non-official Directors. I have my own reservations about it. There is no doubt about it. But may I know whom the NDA Government has appointed? What kind of Directors have they appointed during their regime? Do you

want me to open up the list and say what kind of expertise those Directors have? Who has recommended whom? You know it very well. Probably, you were not a Member. Even then, you must have tried to put some people on the Board of Directors. There is nothing wrong in it. Even if you tried or failed or gained, there is nothing wrong in it. But the point is, our hon. Minister has now brought out guidelines even for those appointments. There were no guidelines in your time. So, it is easier to ...*(Interruptions)*... Sir, I don't think he should interrupt me in every sentence. I could have interrupted him when he was speaking.

**श्री पी. चिदम्बरम :** आप बाद में बोल लीजिए।

**श्री संतोष बागड़ोदिया :** अच्छा, चिदम्बरम जी हिन्दी में बोल रहे हैं।

**श्री रामदास अग्रवाल :** मैंने उनके मतलब की बात अंग्रेजी में बोल दी थी।

**SHRI SANTOSH BAGRODIA:** Sir, the then Congress Government nationalised the banks - this was done way back in 1970, and then in 1980 - because the need for nationalisation of banks was felt mainly because private commercial banks were not fulfilling the social and developmental goals of banking which are so essential for any industrialising country. Sir, I would like to tell you about my personal experience. Way back in 1962, I needed only one lakh rupees from Punjab National Bank.

**THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI):** Only one lakh!

**SHRI SANTOSH BAGRODIA:** Yes, Sir, only one lakh...*(Interruptions)*... That was my first application to the bank. I will give the name of the bank, that is, Punjab National Bank in Calcutta. Sir, believe me, for that one lakh rupees I had to get two sureties. As a small industrialist, it was impossible. But, after nationalisation the same bank gave me Rs.35 lakhs, without any security. So, the smaller people, the small industrialists gained heavily. That was the whole purpose. The ordinary citizen of the country...*(Interruptions)*...

**THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI):** That is not part of the Non-Performing Assets now.

**SHRI SANTOSH BAGRODIA:** Sir, if you want to go into my history, then, you will have to talk to me separately in the golf course ...*(Interruptions)*... At the moment, I am just trying to explain how this nationalisation was so beneficial for the nation, for the benefit of the ordinary citizen of the country; otherwise, the banking industry was also in the hands



of a few large industrial houses, and whatever advantage was being taken for the deposits made in those banks was going only to these industrial houses. Sir, presently, there are 19 nationalised banks. The shareholding pattern of the 15 nationalised banks, which had gone in for public issues, varies from 51 per cent to 77 per cent. Sir, the lowest, 51.19 per cent, is in Dena Bank. I will correct myself, 51.10 per cent is the lowest that is in the Oriental Bank of Commerce, the second one is in Dena Bank, and the highest still is with the Bank of Maharashtra which is 76.77 per cent. That is the percentage within which these 15 banks are operating. I strongly request the hon. Finance Minister--because I have the experience -- let us not follow in the footsteps of NDA; let us not think of 33 per cent; let us not agree to what Mr. Aggarwalji is saying, or, whatever his intentions are. If you bring it down, that is, beyond 51 per cent, we will accept that you also intend to privatise. Let us not try to fool the country under any circumstances.

SHRI P. CHIDAMBARAM : That clause has been dropped.

SHRI SANTOSH BAGRODIA: That is why I am saying, Sir. I don't know what you are planning for the next Budget. So, I am only trying to caution you for the future. I am happy that you have dropped that clause; I am happy that you are sticking to 51 per cent for the time being; so, I am telling you that in future also 'please don't do it.'

Sir, regarding the whole-time Directors, the latest position is this. Section 9(iii) of Banking Companies Act, 1980, provides that the Board of Public Sector Banks shall consist of not more than two whole-time Directors, one Director who is an official Central Government appointee, one Director who is an officer of RBI, not more than two Directors from SEBI and NABARD, workman Director, officers' nominee Director, CA category Director, two non-official Directors and Shareholders' nominee Directors.

Now, the shareholder nominee directors are supposed to have -- for the information of the House and, especially, for the information of my elder brother, Agarwalji, -- special knowledge in agriculture, rural economics, banking, cooperation, economics, finance, law, SSI or any other matter of special knowledge which is useful to the bank or he should be a representative of depositors, farmers, workers or artisans. That was the basis earlier. I don't know how much your Government followed that, but I am sure, our Government is following these norms very clearly.

Now, Sir, by the said amendment, which the hon. Minister has brought out before the House through this Bill, the Government envisages to appoint more Government-nominees in PSEBs. It also intends to dilute the present requirement that 'the PSE Board is to have RBI nominee mandatorily.' Thus, the Government say, "in all policy making, including changes in rates of interest, ...will increase substantially." I agree with this partially but not wholly because, on the one hand, the hon. Minister has mentioned in his speech that it is done for better governance, but, on the other hand, if we have so much control on the appointment of the directors that all directors directly or indirectly will be appointed by the Government only, even if you have only fifty-one per cent shareholding, then, Sir, I don't know what will be the freedom of thought of these Government directors. That has to be looked into, and the fact that whether that will really bring good governance has to be seen.

The Government also intends to increase the number of whole-time directors from existing two to four in view of the expansion plan of the nationalised banks. I fully support this point, because the business has increased so much that one CMD and one Executive Director are definitely not enough. For varied kinds of services, namely, exports, small-scale industries, agriculture, large industries, infrastructure, etc., you need experts; and, unless you have experts at the Executive Director's level, it will be very difficult. The Chairman cannot do everything; the business has expanded so much. On this, as a trial basis, I would like to suggest whether we can have one Chairman, one Managing Director and two Executive Directors. This is just a suggestion. But I don't want to go into the details of that. The hon. Minister can decide or the banks can themselves decide on this.

Besides this, Sir, the Government also appoints nominee directors under sections 9(3g) and 9(3h). It is said, "The Banks' Boards will have majority Government Directors being the majority shareholder of a bank". I have no problem on this. However, regarding the RBI nominee, it is true that if we have a Regulator there, he will have an overshadowing power. He will influence the decision; and, sometimes, it may be even against the interests of the bank. So, the problem of conflicting interest was there. Moreover, a recent Supreme Court reference is also there. It said that whenever there is a conflicting interest, the same director cannot do justice. Sir, there is the Naina Lal Kidwai case where she was asked to vacate the directorship of the Nestle, being the Chairman of HSBC. So, whenever there is a conflicting interest, I mean, it is in all fairness, the Bank Director

has to remain in the bank only, or, otherwise, he or she has to resign from the bank. However, when more functional directors are appointed, there should be a clear division of responsibilities among them. Let there be no overlapping of responsibilities. It should not be that there are, say, three Executive Directors and overlapping responsibilities. That will dilute the whole purpose of having that kind of set-up.

Sir, the SEBI has stipulated that there should be fifty per cent Independent Directors. Now, that will be a clash of banking and other companies because, according to the Companies Act, there should be fifty per cent Independent Directors. But, in the case of banks, on the one hand, we are saying 'autonomy', and, on the other hand, we are saying 'they will have only fifty-one per cent shareholding', and then we want to control all the shareholders. So, that angle should also be looked into as to whether we can have fifty per cent Independent Directors in the banks also.

Sir, coming to shareholders' rights at the Annual General Meeting, I am fully convinced that what you have decided is commendable, and that they should take up the responsibility. They should not be there only as spectators. They must adopt and approve such accounts. They have to accept this responsibility; they cannot say, 'we could not vote and so, we know nothing about it'. Similarly, the consolidation of accounts of subsidiaries is an example of good governance. Subsidiaries' details should be known, particularly, when we have only 51 per cent share; forty-nine per cent remains in the hands of lakhs and thousands of shareholders in the country. They should know what the subsidiaries are doing. I would like to compliment you on that too.

Sir, according to Section 9(3)b of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, RBI has been vested with the powers to remove any Director of the corresponding new bank, elected under Section 9(3)(i) of the Act. However, there is no provision regarding supersession of the Board of Directors. I fully agree that if the bank, like any other PSU, is not performing...*(Interruptions)*... The ownership of the bank lies with the Government, and so, the Government should have the supersession power. But that should be for a limited purpose and a limited period of time; it must be for six months or a year at the most. And it should be done very transparently. There must not be any supersession just because the hon. Finance Minister doesn't like the face of

a particular Chairman, or some of the bureaucrats don't like them, and they recommend to the Finance Minister; if the Finance Minister has good relations with a person, he is superseded! There should be specific guidelines also on whether profits have been made or not; how much loss has been incurred. Proper enquiry should be made as to whether the losses are because of mismanagement, or due to some fraud in the banks on which banks have no control. Even at the time when you are superseding a person, kindly appoint a new officer only from among the bureaucrats ..(Time-bell)..

Sir, I know that I have got 36 minutes. If you don't mind and if you allow me -- I shall not take up all that time -- but, at least, give me some more time.

Kindly don't appoint Government officers. If you really want to improve upon it, bring in banking experts; there is no objection to that. You could bring in experts from the RBI, or from any other source, or even an officer who is a banking expert.

SHRI P. CHIDAMBARAM : It says, 'administrator not being an officer of the Central Government'.

SHRI SANTOSH BAGRODIA: It should also mention 'not retired'.

SHRI P. CHIDAMBARAM: Why are you changing your ...*(interruptions)*...

SHRI SANTOSH BAGRODIA: It must also say, 'not retired'. It is happening, and it has been happening blatantly in every organization, not only in the Finance Department.

SHRI P. CHIDAMBARAM: It clearly mentions about serving officers.

SHRI SANTOSH BAGRODIA: That is all right. I am not an expert; I might have overlooked.

SHRI P. CHIDAMBARAM: I am not criticising; I am only pointing it out.

SHRI SANTOSH BAGRODIA: I appreciate that. But I have said, 'retired'; please add it, if possible.

Sir, the next point is about the tenure of non-official Directors. It has been mentioned here that his appointment is '...subject thereto for a period not exceeding three years or such further periods not exceeding

4.00 P.M.

three years at a time as the Reserve Bank may specify'. I shall strongly recommend, with my experience with non-official directors of PSUs, that it should be for three years, there is no objection with that, but, under no circumstances, must he be reappointed. We want new people. Why should you have the same Director appointed again? We have a population of one billion in the country. We have plenty of experts in the country. Why should the same person continue year after year? And, nothing much happens! So, these non-official Directors must be appointed only for one year. In the second term, at least, he should not be appointed in the same bank, or the same PSU as per the law. The new Director must also be appointed. There is a provision that says if he is not appointed, the same person could continue for six years. Now, why should he not be appointed? What I am trying to say is that he should not be reappointed. If you so wish, you must appoint a new Director three months before, so that it is known that once he goes, the new Director would be coming.

Today, I will give you a list of PSUs. At least, in 200 PSUs, the non-official Directors have not been appointed for years and years. Sir, after these amendments, the Bill will help them retain public sector character. Whatever amendments you make, I will strongly recommend that the public sector character should not be disturbed. As I have said about non-official Directors, please ensure that the same person does not come again and again. I would like to quote what the hon. Prime Minister has said in the inaugural address to mark the bi-centennial celebration of the State Bank of India. He said, "Deployment of credit must keep pace with changes in the structure of economy. Banking industry needs to keep itself to be able to assess and meet the credit needs of the economy." Then, Sir, I again quote him. He said, "Credit for agriculture and allied activities is not a single market. Provision of credit for hi-tech agriculture is no different from credit to industry." That mindset of bank officers has to be changed. They have to understand that we need to have hi-tech agriculture and that is possible only when credit is properly given for agriculture. What kind of NPA is there in agriculture? It is much lesser than any other sector. He also says, "Innovation and customer services are going to be key drivers of success in the future and the growth cannot be achieved without a strong, stable and an efficient financial system." You are trying to make an efficient financial system, which I appreciate. But agriculture has to be given proper importance. Mr. C. Rangarajan, the Chairman of Economic Advisory Council

to Prime Minister, has called upon the banks to evolve appropriate strategies to enable Indian firms to access funds at competitive rates and meet the challenges from foreign banks besides fulfilling the credit requirements of marginal and sub-marginal farmers. How do you equip them to take the challenge from foreign banks? This is very important. Sir, the next point that I want to mention very quickly is ...*(Interruptions)*...

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): Did you say the last point?

SHRI SANTOSH BAGRODIA: There are five or six points. But they are very small points. I am not going to elaborate them because the hon. Finance Minister is very smart; he knows more than what I said and ...*(Interruptions)*...

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): He also knows what you are going to say.

SHRI SANTOSH BAGRODIA: I will be very quick because Ramdasji has already mentioned it and I support him. In 1997, Sir, there were 32,939 rural branches which fell to 32,227 in 2004. It means, in seven years it has come down; the rural branches have not gone up. How do you help the small industries? How do you help the rural industries? How do you help the agriculture? I don't know what norms you can fix so that rural branches can grow in number instead of closing down. In metro regions, they have risen from 8390 branches to 9750 branches. Similarly, Sir, commercial banks appear to be leaving out rural areas and backward States. They concentrate only on rich States. That also has to be seen. In a federal country like ours, we cannot have branches only in the rich States. It is good news when Indian banks score above Asian peers in securing high returns including those in Japan, Singapore and Australia. Recent Moody Investors Services study points out the higher 20.4 per cent return on equity in Indian banks which reflects the improvement in asset quality, as indicated by the dwindling share of non-performing loans. Sir, similarly, the operative expenses of Indian banks have to go down. They are very high in comparison to other banks.

I would just like to draw the attention of the hon. Minister, through you, Sir, that bank credit to private sector as a ratio of GDP, in Argentina, it was 19 in 1970; 2001 and 2003, it was 156. Brazil - 47.8. It came to 34.6. China - 51.7. It came to 136.6. But, India, from 18.8, it came to 35.5. It is a steady growth, but not a jumping growth. Unless you have a jumping

growth for the private sector, the economy will not come to 12 per cent or 10 per cent as you want.

One or two points which I want to make quickly which is a dear subject for me is 'withdrawal tax'. Hon. Minister imposed withdrawal tax. I do not know whether he could reach the goals that he wanted. Bankers are in great difficulty. It is very big problem for them to handle this tax, without any benefit to the Government. Sir, I hope in the next Budget, hon. Minister will withdraw it and let us know that how many people in the entire country, in lakhs and crores of accounts, have been traced because of the withdrawal tax. Could the hon. Minister handle even one or two or three such cases? At least, let us know the details of such cases and particularly with RTI, I am sure hon. Minister will have no objection sharing that information.

Sir, we have to have a level-playing field for our public sector banks along with private banks. For example, whatever laws you are making, I believe, or whatever directions RBI is giving, they are giving only for public sector banks. They are not including the private banks. If it is not true, I will give an example. Regarding SSI Sector and SME sector, hon. Minister has announced, I believe, last year or some time this year, 20 per cent growth compulsorily for public sector banks but not for the private sector. Why not private sector? Private sector is growing very fast in banking and they are ...*(Interruptions)*... I will take only two minutes. This is my pet subject. So, let the hon. Minister know. So, there should be a level-playing field. Let me tell you private sector banks are willing to do it. With the kind of interaction I have had with those bankers, they are willing to do it. But, why not involve them in the process of law. Let them do it voluntarily, but let them also know it is compulsory for them. In case of SSI credit, you know in 1998, the number of SSI accounts was 29.64 lakhs. By 2003, it came to 16.95 lakhs. It came down by nearly 50 per cent. But, I congratulate the hon. Minister that with his good intentions and I cannot give full credit to him; a little credit to the House, a little credit to our Committees, little credit to the public that with their outcry, but major credit to him that he made a policy by which now in 2005, we have 17.71 accounts. And, in 2006, already the accounts have increased to 18.86 lakhs, but the growth is only 16 per cent and 21.6 per cent, whereas the general growth of NBC is 28.61 and 34.5 per cent. I request him to make it compulsory for 40 per cent growth. Then only, we can come back to 1998 level when we had a percentage of 20.82. Otherwise, even with this growth,

the total percentage will go down. I request the hon. Minister to kindly look into it.

And, the last point, Sir, is that Standing Committee has suggested that it has been proposed to address issues relating to 'fit and proper' status of shareholder Directors. Now, please define what is 'fit and proper'. That has not been defined anywhere.

I will request you to please define. With these words, I support the Bill wholeheartedly. My only request to you is to consider some of the suggestions which I have made, if you think they are in order. Thank you very much.

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): Mr. Bagrodia, you have one more minute left in case you want to speak. ...*(Interruptions)*... Thank you. Now, Shri Tapan Kumar Sen.

SHRI TAPAN KUMAR SEN (West Bengal): Sir, I rise to support...*(Interruptions)*...

श्री रामदास अग्रवाल: उपसभाध्यक्ष जी, एक मिनट के लिए मैं आपका ध्यान आकर्षित करना चाहता हूँ।

उपसभाध्यक्ष (श्री दिनेश त्रिवेदी): अब यह हो जाए, उसके बाद आप बोलिए ...*(व्यवधान)*...

श्री रामदास अग्रवाल: नहीं सर, मैं एक ही मिनट लूंगा, ज्यादा समय नहीं लूंगा। मैं माननीय संतोष जी ...*(व्यवधान)*...

SHRI SANTOSH BAGRODIA: Sir, are you allowing him to speak?

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): No, no. I am not allowing him to speak.

श्री रामदास अग्रवाल: लेकिन आपने जो मुझसे पूछा, क्या मैं उसका जवाब नहीं दूंगा ...*(व्यवधान)*... इसका तो अंत ही नहीं होगा ...*(व्यवधान)*...

उपसभाध्यक्ष (श्री दिनेश त्रिवेदी): इसीलिए हमने कहा है कि आप बाद में बोलिए ...*(व्यवधान)*...

SHRI TAPAN KUMAR SEN: Sir, I will request my colleague to allow me to speak. ...*(Interruptions)*...

श्री रामदास अग्रवाल: नहीं सर, मैं तो एक कॉम्प्लिमेंट दे रहा था कि दो वित्त मंत्रियों के बीच में तीसरे वित्त मंत्री जी पीछे बैठे हुए हैं, यह बात तो मुझे मालूम ही नहीं थी ...*(व्यवधान)*... क्योंकि पीछे से वह जवाब दे रहे थे ...*(व्यवधान)*...



SHRI TAPAN KUMAR SEN: Sir, I am thankful to the hon. Minister and the UPA Government for not bringing forward the Bill in its original form as it was envisaged, formulated and introduced in 2000, making a provision for bringing down the Government's stake in banks to 33 per cent, to minority status and ensure privatisation. That would have been a great disservice to the economy and country's interests, and, it would have been difficult for us to support the Bill. Sir, I am thankful that such a retrograde provision has been dropped.

Secondly, Sir, notwithstanding the basic framework of the public sector status, the Bill aims at increasing the number of shareholders directors in the bank so as to provide for a more equitable representation on the Board of Directors. While welcoming this move, let me express some of my apprehensions -- I may be wrong -- which are although not entirely related to this Bill alone but have some bearing on the changing provision on non-Government shareholders directors in the banks' boards. Present position allows for representation of non-Government shareholder director on the basis of the shareholding pattern -- as I understand from the Bill -- and, in this process, a director from the corporate sector may well, even in individual capacity, find a place in the board of a bank. My question is: If in this process, one such non-Government director, who is at the same time a defaulting borrower or an NPA generator, finds a place in the same bank's board just by virtue of his shareholding, will it not be a case of conflict of interests, and, how do you propose to address it?

Now, there may be some provisions that banks do not lend to the directors but in our given system, there are a number of cases of many flagship group of companies, where one unit of that flagship company generates NPA and the other unit goes on enjoying the credit from the same bank, and, such kind of cases are plenty. So, I think, these issues require to be appropriately addressed while framing rules etc. I may kindly be enlightened as to how these will be addressed.

Thirdly, Sir, I think, Government also must take a serious view about this kind of possibility and stop further divestment in Government shares in the banks, and, frame appropriate rules to prevent such situations of conflict of interests. Sir, our banking system supports around 50 per cent of our GDP, which is way behind not only the developed countries, but also many of the developing countries. This kind of situation warrants wide expansion of the banking system and banking network to a vast left out section of our population who are mostly the victims of unscrupulous

money-lending system. This requires that the banking system and network must invade the remotest rural segment to replace those unscrupulous money-lending system. This needs a reorientation of the policy relating to the interest rates and its lending policy. And, *inter-alia*, there is definitely a case of considering a differential interest rate regime applicable to different segments of the economy, different stakeholders in the economy -- large-scale sectors, small-scale and tiny sectors, agriculture and other rural occupations.

I don't know exactly, I am not very confident, how does it sound technically viable, particularly, when stalwarts like Dr. Jalan is sitting before me. But, I am just expressing myself. I don't know what are the technical difficulties in it, for this kind of a differential interest rate regime. But, as I understand, treating different segments of people, having different economic status, having different strength, in a different manner, is the best way of ensuring equity. And, I think, that is also the role of the Government when they talk about *aam aadmi* oriented growth. So, how these two things will fit in together to have equity in these areas and also regarding the access of all to the financial sources, I think, should be seriously considered. In case of large-scale manufacturing and service sector, the interest burden can be passed on to the product. But, in small-scale and tiny sector, as well as, the agricultural occupation, they don't have that much elbowroom between their cost and the ruling market price in an extremely competitive scenario. In this House itself, just before this debate began, the hon. Agriculture Minister has also admitted that even in the rural economy, the peasants take loan also for funding their capital expenditure, putting up pumps and other irrigations, etc., given the very low public investment in rural infrastructure. That is their situation. That creates a very deep indebtedness. So, I think, this warrants a very serious consideration on these aspects. I will request the hon. Finance Minister, if this is the background, if this is the need, simply market solutions cannot work. Also, only Basel 2 norm cannot deliver the goods. Something more is required to be done. How should we do it in this framework, I want to know. I request the hon. Finance Minister to throw some light on these areas as well. In this context, I would also request the Minister to review the proposal for omitting the provisions relating to the mandatory nomination of Directors by the RBI in the bank Boards. This is crucial in the sense that the RBI plays a crucial role in monitoring, supervising the functioning of the banks and re-tuning the same with the priorities, from time to time, in the country. So, this has assumed more importance, particularly, in the

background of the observations made in the RBI Bulletin itself, regarding the banking sector missing the target on their priority sector lending, particularly, pertaining to the small-scale sector, tiny sector and agricultural sector. One year ago the Reserve Bank Bulletin made such concrete observation. So, in this respect, I request the Finance Minister to reconsider this.

Lastly, I will try to raise, let me say, a kind of selfish agenda, and selfish, in the sense, about the issues of workers and employees in the banking sector, the constituency which I personally represent. *(Time-bell)* Yesterday and day before yesterday I was closely watching the debate on this subject in Lok Sabha. I am glad that the hon. Finance Minister, while replying to the debate, just commented that we are proud of the management, unions and the employees of the banking sector for such an improved functioning. He, particularly, recognised their role. I don't know what feedback he is having from down below. At this moment, I understand, in our rationalised bank network, there is serious shortage of employees at different parts in different desks, particularly, in the front desks, where they are facing the customers. No doubt, technological improvement has reduced the requirement of such kind of manpower to some extent. But, because of aggressive VRS pursued in the banks, during the last more than five years or so, there is a real shortage, even after neutralising the impact of the technological development in the banking sector, in the banking activity.

So, I feel there is a serious need to have a re-look into that. More recruitment is required. I think, yesterday, while replying in the Lok Sabha, he also hinted to the extent that we need more people to strengthen our banking system. My only submission is that we need more people at all levels. Don't focus on a particular level. I think, from top to bottom, we need more people to operate our banks, to make our customers happy, to really make the public sector banks compete in a changing scenario, and, in this respect, I would request him to reconsider this.

There is serious resentment in the bank employees regarding the stoppage of compassionate employment. A new scheme has come up. But, prior to this scheme, there were backlogs. I request the hon. Finance Minister to give some kind consideration in that area also. I think this much so called selfish agenda I have a right to place before you. With this, I support the Bill.

**श्री वीरेन्द्र भाटिया (उत्तर प्रदेश) :** उपसभाध्यक्ष जी, मैं समाजवादी पार्टी की ओर से इस बैंककारी कंपनी (उपक्रमों का अर्जन और अंतरण) और वित्तीय संस्था विधि (संशोधन) विधेयक, 2006 का समर्थन करने के लिए खड़ा हुआ हूँ। इसमें जो धाराएं शामिल हैं, उनका तो मैं समर्थन करता ही हूँ, लेकिन मैं कुछ बातें वित्त मंत्री जी के संज्ञान में लाना चाहता हूँ। नेशनलाइज्ड बैंक्स के कम्पटीशन में अब प्राइवेट सेक्टर के बैंक आ रहे हैं। प्राइवेट सेक्टर के बैंक्स कस्टमर के घर पर सर्विस दे रहे हैं। कस्टमर को जो दिक्कतें नेशनलाइज्ड बैंक्स से फेस करनी पड़ रही हैं, उसके बारे में मैं कहना चाहूंगा, जैसा कि श्री रामदास जी ने कहा कि वे एफिसिएंट सर्विस दे रहे हैं। अगर उनके चार बजे तक वर्किंग आवर्स हैं और आप जायेंगे, तो वे साढ़े चार बजे भी एंटरटेन कर लेंगे, उसके विपरीत नेशनलाइज्ड बैंक्स में अगर साढ़े दस बजे का समय है, यह मेरा ही नहीं, तमाम कस्टमर का एक्सपीरेंस है, आपको साढ़े दस बजे लोग चाय की चुसकियां लेते हुए मिल जायेंगे, कोई भी अपनी सीट पर ग्यारह बजे से पहले नहीं मिलेगा। वहां पर ग्यारह बजे से कार्य आरम्भ होता है। वहां पर लंच 15 मिनट पहले होगा और 15 मिनट बाद तक चलेगा, अगर चार बजे का समय है और आप लॉकर आपरेट करना चाहते हैं, तो साढ़े तीन बजे आपको बैंक के दरवाजे बंद मिलेंगे। आज आप स्वयं कह रहे हैं कि नॉन नेशनलाइज्ड बैंक्स, प्राइवेट सेक्टर के बैंक्स उसमें आकर स्थान बना रहे हैं और वे एफिसिएंट सर्विस दे रहे हैं, तो मैं वित्त मंत्री जी से आग्रह करूंगा कि वह इस ओर भी ध्यान दें।

अगर बैंक्स में एम्पलाइज कम हैं, जैसा कि मेरे पूर्व वक्ता ने कहा कि एम्पलाइज कम हैं, तो एम्पलाइज की संख्या बढ़ाई जानी चाहिए। यह सही है कि जब से बैंकिंग का स्कोप एक्सटेंड हुआ है, उसके अनुसार एम्पलाइज की संख्या नहीं बढ़ाई गई है। लेकिन कस्टमर को एफिसिएंट सर्विस चाहिए और विशेषकर कम्प्यूटरेड बैंक्स उसके घर पर जाकर कहेंगे कि फिक्स्ड डिपोजिट दीजिए, उसके घर पर जाकर कहेंगे कि लोन लीजिए, उसके घर पर जाकर कहेंगे कि हम कम फॉर्मल्टीज में आपको आसानी से लोन देते हैं। इस समय नेशनलाइज्ड बैंक्स से कस्टमर्स का मोह भंग हो रहा है। मेरा अनुरोध है कि इस ओर भी ध्यान दिया जाना चाहिए।

दूसरी बात, मैं यह कहना चाहता था कि 1970 में बैंक्स का नेशनलाइजेशन किया गया और जब बैंक्स का राष्ट्रीयकरण किया गया, जैसा कि अभी हमारे पूर्व वक्ता ने कहा कि यह इसलिए किया गया कि एक सोशल जस्टिस या सोशल गोल को प्राप्त करने के लिए, गरीब आदमी को भी बैंक से लोन मिल सके और बैंक से सुविधाएं मिल सकें, इसलिए नेशनलाइजेशन किया गया। आज हमें समीक्षा करनी चाहिए कि क्या उस गोल को हमने प्राप्त किया है?

अभी संतोष जी ने कहा कि उनको 32 लाख का लोन मिल गया है। यह सही है, उनको 32 लाख का नहीं, उनको पचास लाख का लोन भी मिल सकता है। हमारे यहां पर सदन में बैठे हुए जो सदस्य हैं, वे अगर बैंक में चले जाएंगे तो उनको पचास लाख का लोन भी मिल जाएगा, मैं जाऊंगा तो मुझे भी 25 लाख का मिल जाएगा।

**श्री एस. एस. अहलुवालिया (झारखंड) :** नहीं मिलेगा।

**श्री वीरेन्द्र भाटिया :** लेकिन जो सोशल गोल की बात कही गयी, downtrodden पब्लिक की बात कही गयी, गरीबों के हितों की रक्षा की बात की गयी, क्या वह आज हो रहा है? क्या आज गरीब आदमी को लोन आसानी से मिल सकता है क्योंकि गरीब आदमी के पास कोई प्रॉपर्टी नहीं है। आज अभी यहां पर कहा गया - किसानों के बारे में डिबेट हो रही थी।

**श्री एस. एस. अहलुवालिया :** भाटिया जी, एक मिनट।

**उपसभाध्यक्ष (श्री दिनेश त्रिवेदी) :** अगर वे यील्ड कर रहे हैं तो आप बोल सकते हैं।

**श्री एस. एस. अहलुवालिया :** मैं भाटिया जी की जानकारी के लिए बताना चाहता हूँ, वे कह रहे हैं कि रामदास अग्रवाल जी चले जाएं तो उनको पचास लाख लोन मिल जाएगा, ये चले जाएं तो इनको 25 लाख लोन मिल जाएगा। मैं इनके संज्ञान में और इनके माध्यम से सदन के और मंत्री जी के संज्ञान में यह बात लाना चाहता हूँ कि जितने प्राइवेट बैंक हैं और जितने फॉरेन बैंक हैं, उनकी स्टैंडिंग इंस्ट्रक्शन हैं कि किसी पॉलिटिशियन के नाम पर न तो अकाउंट खोलो, न क्रेडिट कार्ड दो और लोन का तो सवाल ही पैदा नहीं होता। क्रेडिट कार्ड का अगर पता लग जाए कि दूर-दूर तक आपके बच्चे के नाम पर भी है...(व्यवधान)...

**श्री वीरेन्द्र भाटिया :** उसमें दो और हैं...(व्यवधान)...उसमें एडवोकेट भी हैं, पुलिस अफसर भी हैं।...(व्यवधान)...

**श्री एस. एस. अहलुवालिया :** स्टैंडिंग इंस्ट्रक्शन है कि अगर ...(व्यवधान)...

**श्री वीरेन्द्र भाटिया :** मैं उस विषय पर आ रहा था।...(व्यवधान)...

**श्री एस. एस. अहलुवालिया :** कि अगर आपके बच्चे को क्रेडिट कार्ड मिला हो, किसी बैंक का, और उसको पता लग जाए कि वह आपका बच्चा है - आप तो दो चीजों में क्वालीफाई करते हैं, आप तो वकील भी हैं और एमपी भी हैं - तो उसका क्रेडिट कार्ड कैंसिल हो जाएगा। यह तो हमारी प्रणाली है। This is the state of a politician. ...*(Interruptions)*...

**SHRI C. RAMACHANDRAIAH (Andhra Pradesh) :** Sir, let us all improve the image of the politicians.

**श्री अमर सिंह (उत्तर प्रदेश) :** सर, एबीएन एम्रो बैंक, कोलकाता शाखा में मैंने एक बार कार लोन के लिए अप्लाई किया, आज से दो साल पहले। उन्होंने स्वयं मेरे मुँह पर कहा कि आप राजनेता हैं इसलिए आपको कार लोन नहीं मिल सकता है। मैं श्री एस. एस. अहलुवालिया जी की बात से सहमत हूँ। इनकम टैक्स की अगर रेड होगी, कुछ नहीं मिलेगा, तब भी अधिकारी कहेंगे कि दस करोड़ रुपया दो, बीस करोड़ रुपया दो। माननीय वित्त मंत्री जी से मैं अनुरोध करना चाहता हूँ कि कम से कम जो ऐसी तानाशाही व्यवस्था है कि राजनेता होना - मैनबर ऑफ पार्लियामेंट के लिए मजाक में कह देते हैं कि मोस्ट प्रिविलेज्ड हैं, हम लोग मोस्ट अनप्रिविलेज्ड हैं। ...(व्यवधान)...

**श्री वीरेन्द्र भाटिया :** अब हमें बोल लेने दीजिए। हम भी वही बात बोलने जा रहे हैं। ...*(व्यवधान)*... अहलुवालिया साहब ने मेरे बोलने का क्रम बदल दिया। क्योंकि अहलुवालिया साहब ने यह बात उठा दी है, मैं स्वयं ...*(व्यवधान)*... मैं स्वयं इस बात को बोलने वाला था।...*(व्यवधान)*...

**SHRI RAVI SHANKAR PRASAD (Bihar) :** Sir, the Finance Minister must clarify. It is a very serious matter. ...*(Interruptions)*... Why lawyers and politicians are being victimised by the foreign banks. ...*(Interruptions)*...

SHRI AMAR SINGH: We are not untouchables. ...*(Interruptions)*...

**श्री वीरेन्द्र भाटिया :** मैं इस बात को कहने वाला था...*(व्यवधान)*...

SHRI RAVI SHANKAR PRASAD: Honourable the Finance Minister, we are making a request to you. I also know that these foreign banks have made it a hidden policy that no credit card to politicians, no credit card to lawyers -- a lawyer of your former stature may be an exception. But, it is a serious matter. Please enquire into it as to why should the foreign banks have this kind of prejudice in India. It is very unfair. ...*(Interruptions)*...

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): Mr. Bhatia, please continue. ...*(Interruptions)*... Please continue.

**डा० मुरली मनोहर जोशी (उत्तर प्रदेश):** उपसभाध्यक्ष महोदय, मैं यह जानना चाहता हूँ कि यदि ये बातें सच हैं, जो यहां बताई जा रही हैं तो क्या फॉरेन बैंकों को हिन्दुस्तान में काम करने की इजाजत दी जानी चाहिए।

**श्री अमर सिंह :** बैन कर देना चाहिए।

**डा० मुरली मनोहर जोशी :** क्या ऐसे बैंक, जो यहां के राजनेताओं, वकीलों और पुलिस अफसरों के बारे में इस प्रकार का दृष्टिकोण रखे, ये हमारे देश में क्या संदेश दे रहे हैं? क्या ऐसे बैंकों को हिन्दुस्तान में काम करने की इजाजत दी जानी चाहिए।

**श्री अमर सिंह :** बिल्कुल नहीं दी जानी चाहिए।

**डा० मुरली मनोहर जोशी :** अगर यह सच है और इन बातों को यदि सभी सांसदों ने कहा है तो इस पर आप तत्काल जांच करें, कार्यवाही करें और ऐसे बैंकों का भारत में काम करना बंद कर दें।...*(व्यवधान)*... अगर हमारी व्यवस्था कहती है, सभा कहती है कि संसद सदस्यों को कार लोन मिल सकता है और वह बैंक कहता है कि आप सांसद हैं, आपको कार लोन नहीं दिया जाएगा...*(व्यवधान)*...

**श्री संतोष बागड़ोदिया :** आप ही की पार्टी की नीति है। ...*(व्यवधान)*...

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): Mr. Bhatia, please continue. ...*(Interruptions)*...

**डा० मुरली मनोहर जोशी :** आप फॉरेन बैंकों के समर्थन में बोल रहे हैं? ...*(व्यवधान)*...

**श्री सुरेन्द्र लाठ (उड़ीसा) :** पार्टी का सवाल नहीं है। ...*(व्यवधान)*... क्या बात कर रहे हैं।...*(व्यवधान)*...

**डा० मुरली मनोहर जोशी :** आपको यह जानकारी विभिन्न संसद सदस्यों ने दी है...*(व्यवधान)*...

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): I think, the hon. Minister must have taken note of it, and if he deems fit, he will clarify it during his reply.

**श्री वीरेन्द्र भाटिया :** मैं इस प्वाइंट को आखिर में लेने वाला था। जो आप कह रहे हैं, वह मेरा advocate के नाते अनुभव है। ICICI बैंक ने मुझे privileged customer का एक सर्टिफिकेट भेजा कि आप हमारे privileged customer हैं। पता नहीं आपको मालूम था या नहीं कि मैं advocate हूँ। जब मैंने कार लोन के लिए apply किया और उनका व्यक्ति आया, तो मैंने अपने Advocate General के चैम्बर में बुलाया, अपने घर पर नहीं बुलाया। मैंने उससे कहा कि मुझे कार के लिए लोन चाहिए। उसने जब मेरा चैम्बर देखा, तो उसने कहा कि आप तो advocate हैं और हमारे यहां advocate, politicians and police officers - इन तीनों को लोन नहीं मिलता है। यह घटना मेरे साथ घटी थी। फिर मैंने उनके...(व्यवधान)....

**डा. मुरली मनोहर जोशी :** बहुत शर्मनाक घटना है यह ! भारत की पूंजी से वे काम कर रहे हैं, भारत के लोगों का क्रेडिट जमा कर रहे हैं, भारत से अपनी साख बना रहे हैं और भारत के सम्मानित सांसदों को, वकीलों को और पुलिस अफसरों को इस प्रकार से घृणा की दृष्टि से देख रहे हैं, तो यह इस देश में एक शर्मनाक बात है। ये बैंक बंद होने चाहिए।

**श्री वीरेन्द्र भाटिया :** मैंने उनके रीजनल मैनेजर को फोन किया, मैंने कहा कि जब आपको फिक्स्ड डिपॉजिट चाहिए था, तो आपने मुझसे फिक्स्ड डिपॉजिट लिया और privileged customer बनाया और आज लोन के समय आप मुझे कह रहे हैं कि मैं advocate हूँ। तो उन्होंने मुझे सुझाव दिया, कुछ आपको मालूम था, उन्होंने कहा कि आप Advocate General of the state हैं, इसलिए मैं आपको लोन दे दूंगा। क्योंकि आप सरकार में हैं, इसलिए आपको लोन मिल जाएगा। मैंने कहा कि मुझे अब आपके बैंक से रुपया विदड्रॉ करना है और आपसे लोन नहीं लेना है। यह स्थिति आज बहुत से बैंकों में है।

महोदय, मैं यह कह रहा था कि आप जितने भी रेग्युलेशन्स लाना चाहें, लाएं, लेकिन एफिशिएंसी बढ़ाएं। दूसरी बात जिस पर मैं आ रहा था, मेरा यह कहना था कि क्या जिसके लिए नेशनलाइजेशन किया गया, वह सोशल गोल एचीव हुआ? क्या आपने कभी देखा है कि गरीब व्यक्तियों को आज लोन मिल सकता है? आज गरीब और किसान किसलिए लोन लेता है? सिर्फ चार चीजों के लिए - लड़की की शादी, पढ़ाई और उसको कहीं काम के लिए, सर्विस के लिए भेजना हो और सबसे ज्यादा एक काम के लिए लेता है, जिसको हम उत्तर प्रदेश में कहते हैं - ब्रह्मभोज - मरने के बाद, और राजस्थान में क्या कुछ और कहते हैं, जो सबसे आवश्यक होता है कि अगर आपने दस हजार आदमियों को खाना नहीं खिलाया, तो आपके पिता की आत्मा को शांति नहीं मिलेगी, यह किंवदन्ती रहती है कि वह भूत बनकर टहलता रहता है और इसलिए चार चीजों के लिए गरीब आदमी लोन लेता है। लेकिन जब हम बैंकिंग व्यवस्था की बात करते हैं, तो बैंकिंग व्यवस्था ने क्या कभी इन लोन्स के लिए भी ध्यान दिया है? हम यहां पर बात कर रहे हैं बैंकिंग सेक्टर की, उस बैंकिंग सेक्टर की, जो रेग्युलेशन्स के लिए बाध्य है, लेकिन एक बैंक और भी है साधारण जनता का, जिसको अभी हम लोग अपने ambit में नहीं लाए हैं और जिसके बारे में कोई कानून बनाने की कोशिश नहीं की है, वह है जो विलेज साहूकार हैं, वह असली banker of the most downtrodden people है। जो गरीब है, कमजोर है, निर्धन

है, दलित है, उनको यह लोन देता है, क्योंकि उस गरीब को लड़की की शादी करनी है, क्योंकि उसको लड़के को पढ़ाना है, क्योंकि उसके पिता और माता की मृत्यु हो गई है और उसको ब्रह्मभोज देना है।

उपसभाध्यक्ष (श्री दिनेश त्रिवेदी) : प्लीज conclude.

श्री वीरेन्द्र भाटिया : देखिए, आप मेरे साथ ज्यादाती मत कीजिए। मैं बहुत ... (व्यवधान)...

उपसभाध्यक्ष (श्री दिनेश त्रिवेदी) : हम अपने साथ ज्यादाती कर रहे हैं। देखिए, आपका समय आठ मिनट का था और ... (व्यवधान)...

श्री वीरेन्द्र भाटिया : दो मिनट और दे दीजिए। मैं तो ... (व्यवधान)....

उपसभाध्यक्ष (श्री दिनेश त्रिवेदी) : बिल्कुल, दो मिनट आप और ले लीजिए, मगर conclude कीजिए।

श्री वीरेन्द्र भाटिया : मैं तो विषय से अलग खुद ही नहीं हटना चाहता हूँ, लेकिन जो बात मैं कह रहा हूँ, उस पर विचार करने की आवश्यकता है कि in sector जो private bankers हैं, जो साहूकार हैं, जो दलितों का शोषण कर रहे हैं, जिनकी तनख्वाह और जिनकी मजदूरी, वह किसान, जिसकी फसल का पूरा तीन-चौथाई पैसा साहूकारों के पास चला जाता है, ब्याज के रूप में, असल वहीं का वहीं रहता है और यहां तक मुझे बताया गया कि राजस्थान में प्रथा है, मैं नहीं जानता हूँ रामदास जी, यह है कि नहीं, एक ऐसी भी प्रणाली है कि अगर इतने दिनों के अंदर मूल धन नहीं दिया गया, तो पूरा का पूरा परिवार गुलाम बना दिया जाता है और वह जीवनपर्यन्त सेवा करता है। कभी इस ओर भी हमने ध्यान दिया है? कभी इस ओर भी ध्यान दिया है कि उन साहूकारों से इन गरीबों को मुक्ति कब मिलेगी? किस प्रकार से मिलेगी?

आज जब हम Banking Regulations की बात करते हैं, तो Banking Sector में, legal terminology में आप उनको Bankers न कहें, लेकिन जनभाषा में गांव वालों के लिए, दलितों के लिए, उनसे बड़े Bankers कोई नहीं हैं। आज आवश्यकता इस बात की है कि हम उनके लिए भी कानून लाएं, उनकी कार्यवाही को भी कानून की परिधि में लाएं और दलितों, गरीबों और जो शोषित लोग हैं, उनके बारे में चिंता करें।

उपसभाध्यक्ष महोदय, मैं अंत में यह कहना चाहूंगा कि यह हमारा सौभाग्य है कि आज इस पीठ पर जो बैठते हैं, हमारे समापति महोदय, जब वे राजस्थान के मुख्यमंत्री बने, तो उन्होंने इस प्रकार का बिल introduce किया था और हमें चाहिए कि उसको हम लोग follow करें, जो दिशा-निर्देश और मार्गदर्शन उन्होंने हमें दिया है, उसको हम follow करें। मेरे पास और भी सुझाव हैं, लेकिन मैं समझता हूँ कि चूंकि समय कम है, अतः अब मैं अपनी बात समाप्त करता हूँ और आपने मुझे बोलने का अवसर दिया, इसके लिए आपको धन्यवाद देता हूँ।

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): Shri C. Ramachandraiah. You have just three minutes. But you can take five minutes. You have to conclude within five minutes.



SHRI C. RAMACHANDRAIAH : Sir, I won't make a speech. I will just seek some clarifications.

Thank you very much for giving this opportunity to support this Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2006. Most of the Members were mentioning it as 2005, but the Bill which has been received from the Lok Sabha, after passing it, is 2006. I appreciate the Minister for bringing forward this Bill. It should have been brought a long time ago, but it has been delayed because of the dissolution of the Thirteenth Lok Sabha. Most of the amendments proposed in this Amendment Bill are largely administrative in nature. They are expected to improve the efficiency of the functioning of Banks, mainly, public sector banks. The Finance Minister was very cautious in maintaining the Government control by keeping 51 per cent equity. Everybody has got his own interpretation. It was originally planned at 33 per cent and subsequently it was put at 51 per cent. Some people might be thinking that it was done to satisfy somebody. But, as per the recommendations of the Narasimham Committee--I think the Government has accepted those recommendations--it should have been 33 per cent. However, it does not make much difference as long as it is under the control of the Government.

Sir, I want to make a few points with regard to the nomination of the RBI Director. If I remember correctly, most of the committees, especially, the Narasimham Committee and the Joint Parliamentary Committee, have recommended the deletion of the right of the RBI to nominate a Director because there is a conflict of interest between decision-making and regulation. I remember that in the Global Trust Bank case, when it was proposed to merge with the Bank with the Unit Trust of India, the decision had been taken by the Board of the UTI where a nominee of the RBI was present. I had the privilege to be a Member of the Joint Parliamentary Committee which inquired into it. When we asked the nominee of the RBI whether he was present when the decision was taken, he said, "I am present". Then we asked, "What was your reaction?". He said, "There was no reaction". Subsequently, it--I still remember because the hon. Member was the Governor of RBI then--went to the same gentleman for disposal. This particular decision, on merger with the Global Trust Bank had been taken by the UTI. It had gone to the RBI Deputy Governor who was the nominee of the RBI in the UTI which had taken the decision. Ultimately, we felt that there was a conflict of interest between

regulation and decision-making. So, my question is: When the RBI is to regulate, why should the RBI be privy to the decisions of these institutions? That is my first point. Originally, it was planned to delete it. The Finance Minister, left to him, will take very good decisions; I am quite confident of that. But, it is a coalition Government subject to so many pressures.

Secondly, with regard to the increase of full-time Directors from two to four, I welcome this measure. Since nationalisation, the public sector banks have grown in size and volume of business, and they have got multifarious activities. So, now, their volume has gone up, and the turnover of some banks is more than two lakh crores. They have to look after various aspects of credit like sickness of borrowers, credit ratings of customers, human development, etc. So, umpteen numbers of functions have to be discharged by them. In addition to that, they are opening subsidiaries. So, I fully welcome this measure of increasing the full-time Directors from two to four. Sir, my point pertains Nominee Directors. I was privileged to ask for the attendance of Nominee Directors in banks. What is their percentage of attendance? What is their contribution? Honestly, I should admit that not even 10 per cent of the Nominee Directors are attending the Board meetings, and they have become a liability on the banks' management. No constructive suggestions are coming forth from these people. That is one angle. What I am trying to emphasise is that the Nominee Directors make no contribution, worth its name, for the improvement of the functioning of the banks. Secondly, I had been enquiring as to how many representatives from the farming community are there on the Boards of the banks. It is very minimal. Today I should thank you for increasing your level of lending to the farming community. You have made a commitment to the nation that you are going to increase, rather double, this lending in the next two years. Already one year has gone by. Sir, earlier, I used to see that most of the recruitments to these banks were given to Agricultural Graduates. But that is not the case now. I request the hon. Minister to take note of this...

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): You will have to conclude.

SHRI C. RAMACHANDRAIAH: I am not giving a lecture. I am pointing out certain deficiencies.

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): But your time is over.

SHRI C. RAMACHANDRAIAH: Three to four minutes do not make any difference.

As for the strength of the Directors, it has been stipulated that if the percentage of shareholding is not more than 16 per cent, then, there will be one Director, and if it is between 16 and 32 per cent, then, it will be two. My point of clarification is this. Now, the number of Directors has to be regulated as per the provisions of this Amendment. Supposing, immediately after the passage of this Bill, when it will become an Act, the existing strength is more than the stipulation, what is the mode of retirement?

SHRI P. CHIDAMBARAM : He will continue until retirement. I will explain that.

SHRI C. RAMACHANDRAIAH: My next point is regarding supersession. We claim that banks are functioning very well. There is, absolutely, no doubt about it. We are proud of the way our banks are functioning. And, we have been keeping the RBI nominees on the Board. There are Nominee Directors, that is, from the Ministry of Finance. There are sound banking practices. But, in spite of that, Mr. Minister, do you think that this particular provision of supersession, this particular clause, should be inserted here?

SHRI P. CHIDAMBARAM: It is an exceptional power.

SHRI C. RAMACHANDRAIAH: It is like article 356 in the Constitution. Sir, I read it in the Constituent Assembly speeches that if it is going to be invoked, then, it will be the black day for democracy. So, I have read it in the Constituent Assembly speeches. So, is there any necessity of it? Sir, supersession of a particular bank is not an ordinary thing. And, being so many directors of the Government and from the RBI in the Board, why should the bank's functioning be leading to such a horrible situation? So, it is true that if the functioning of a bank is detrimental to the interests of the depositors or the public, then this decision has to be invoked. But, it is very extreme decision. Sir, I request the hon. Minister to introduce some safeguards so that this provision should not be invoked unjudiciously.

Sir, this is pertaining to the approval and adoption of performance of shareholders. It is a very sound principle, which is in consonance with the

Companies Act. They have introduced it here. But, in banks, Sir, I have got my own slight doubts. I request the hon. Minister to reply. In companies, it is a different thing. The accounts will be approved by the Companies Board of Directors. It will be presented to the shareholders' meeting in the AGM, and the AGM will approve and ratify it. But, the case in a bank is different. I think, the practical experience in future will tell whether the AGMs in which the banks' accounts are going to be ratified or approved, whether any acrimonious debates are there because it is not an ordinary thing. Most of the banks will be lending to so many industrial companies. So, so many NPAs will be there. So many provisions will be made to write off the NPAs. So, these are all the decisions which, I feel, in the AGM meetings they may not pass without any acrimony and other things. But, however, it is a sound corporate practice that has been introduced. Sir, I will complete in two minutes.

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): Just please conclude now. Now, this is your concluding sentence.

SHRI C. RAMACHANDRAIAH: Sir, this is pertaining to opening of new branches. Sir, we came to know that a number of banks' applications for opening of banks branches and ATMs are pending with the RBI. I don't know the reasons for it because they don't assign the reasons for delaying it. There might be some errors of commission or omission on the part of the banks. Sir, the banks will have some thousands of branches, and they will be manned by so many personnel. Sir, one or two persons may indulge in some irregularities. That does not give a valid reason to the RBI to withhold the permission for giving permission for opening the new branches. Because in 2009 foreign banks are coming, and they are entering into the banking sector. Unless our banks consolidate and strengthen themselves, it is very difficult to have a competitive edge with them. I also request the hon. Minister to take into consideration this aspect.

Sir, there is one more issue which is pertaining to sick units. Sir, practically what is happening is this. The BIFR will give you a package. That package includes redemption of the loans to the financial institutions. Suppose, a particular industry borrows from, say, 20 institutions. If 18 institutions accept the package, and two institutions are not accepting it, he has to approach the court of law. And, it is taking inordinate delay by the courts to deliver the judgements. So, just because two institutions have not accepted this package, the revival of the unit which is employing more than 1000 employees is being delayed for some years. So, Sir, some safeguard

has to be introduced here. After all, the amount that is liable to be paid to these two particular institutions is very, very small amount when compared to the overall package amount. Sir, two instances have come to my knowledge. They behave very arrogantly. They say, 'when 18 banks have accepted it, it is not mandatory on my part to accept that package.' So, the borrowers worry is, if I accept the conditions of these two institutions, I will have to make applicable the same conditions to the 18 banks, which he cannot afford to pay it, and the entire spirit of the package is being nullified. This aspect has to be taken into consideration. My final request is with regard to the shortage of staff, especially in the State Bank of India. I think, the hon. Minister should be aware of it. I request the Minister to initiate appropriate measures for recruiting the personnel in the banks so that the customers do not suffer.

Sir, with all these suggestions, I fully support this Bill. Thank you.

DR. BIMAL JALAN (Nominated): Thank you, Mr. Vice-Chairman. Sir, I was listening to the debate, and some very important points have been mentioned. You will be glad to know that I am not going to touch on any of the specific points.

With your permission, Mr. Vice-Chairman, Sir, can I just make three or four general points which are important in considering where do we stand in the banking sector? Sir, the first point--I think, this is something we have to recognise that banks have no money of their own to lend and that includes the Public Sector Banks, but they have the capital. But that capital is meant to ensure the protection of the depositor, it is not lent out. So, the critical point is, the intermediation by the banks or the financial institutions is to transfer one set of people's money to another set of people. This is a very critical point. And, that is why, the risk assessment of those who borrow is just as important as taking care of the safety of the depositor, because this is a very critical difference between the banking and the financial sector and any other productive economic sector that we deal with. They do not have any money of their own. The so-called capital, that includes the Public Sector Banks is meant to provide capital adequacy, to protect the risks that if there is default, if there is a loss, then that capital is supposed to meet it; but, then, there is a subsidiary criterion that that capital has to be made up by the owner and that he cannot go below that capital adequacy. This is an international standard. So, this is an extremely important point which also brings me to the whole question of developing countries' and developed countries' regulation of the banks, functioning of

the banks. The intermediary function of the banks is extremely much more difficult in a developing country like ours. This is not the case in the industrialised country or the developed country because in our country there are conflicting interests. The conflicting interests have to be resolved or compromised on which views can be different.

For example, we had a very interesting debate on floods and on the farmers. Nobody can deny that banks have an important role to play. That kind of a situation does not arise abroad in the industrialised country or in another country where the decision the banks make is whom to give credit based on credit assessment and so on and so forth.

The issue of interest rate is equally important for us in the sense that what was said here is absolutely right that you have to have differential interest rates and the Government has already announced so. It has been a long-standing policy that for lower amount of loan the interest rate is lower than the large amount. And that has been announced.

The Public Sector Banks in the Indian context have a very special role to play and nobody can deny that and I do not want to go into the specifics also. But the reason we have come to wherever we are now-- economic sector, financial sector, etc.,-- is partly because of the leading role played by them. The leadership is still with the Public Sector Banks. But, Sir, it may come as a surprise to a number of people that for the Public Sector Banks the standards of capital adequacy, the standards of risk assessment, the risk management are the same as for any other serving banks. I am happy to inform you--and again I do it because I just happened to have this experience--that among the developing world, and that includes China, the Indian banking system is considered to be internationally one of the best, one of the most secure, one of the most development-oriented and one of the most fair and transparent one meeting all the international checks set by international institutions or anybody in terms of risk assessment. Why do I say so? It is important because if you issue a cheque from India anywhere in the world, it will be honoured; this is not true for 98 other countries.

You will be surprised to know because that is countersigned by another bank somewhere else. So you can take that it is not an easy job, it is not easy to do this sort of thing, but I think what we have been doing in the past few years that we have reached a point where our banks have reached the kind of standards which we all want.

Now, there are faults, there are problems, some of the issues were mentioned just now. Some banks have discriminatory policies which we must prevent, which we must resist. Some of the banks may not be doing the right thing for small farmers or small borrowers and they have to be corrected. But by and large, broadly speaking, the standards are the same and the standards for public sector, private sector, foreign banks, the standards and regulations, should be in conformity. And just with your permission, just two small points, one is corporate governance about which the Finance Minister said something and I think the reason you know. The public sector banks, you will be surprised to know, have now reduced their NPAs to almost half to what they used to be and that our NPAs that is, non-performing assets now conform to the desired standard. So, something must have happened in terms of corporate governance. I will make this point to the Finance Minister that the idea of corporate governance is that we must -- that there has to be a separation of powers between management and the board of governors or the owners. The management decisions have to be taken by the management, practical decisions have to be taken by the management. Boards can set the policy, a broad policy, but the day-to-day policy determination in the banks is not the function of the Board or the Government which is the owner.

Finally, Sir, about this relationship between the Reserve Bank and the Government of India and here I speak not because I happened to work in the Reserve Bank. I also worked in the Government in many of the similar positions, including Banking Secretary and Finance Secretary, so, I think I can be unbiased in this whole issue of the Government and RBI relationship. Sir, the interesting thing about this particular relationship and this also distinguishes us from many of the developed countries is that what we do not require between the Government and the Reserve Bank is the so-called autonomy because you can't. In our country growth is first as important as price stability. A number of other countries have legislated, that the central bank has the only jurisdiction on prices and, therefore, it can set and also fix targets and so on of inflation because they are not as interested in growth. So, the difficult decisions are taken by the central bank and the Government talks about something else, which is now employment, growth and something like that. In our country the problem is that you have a trade off and you can have profit and these have to be reconciled, both at the fiscal area and the monetary area. It is good to have separation of power that the monetary policies are decided by the Reserve Bank of India and the fiscal policy is decided by the Government. But unless there is

harmony, we would find that we cannot resolve the trade-off problems between growth, price stability, external challenges, external difficulties, foreign borrowings, exchange rate management as efficiently as we have been able to do. This I think is a tribute to the kind of relationship that we have built over the last 10, 15 or 20 years irrespective of which Governments have changed. There has been a process of movement towards the system, where harmonious relationship with distinct responsibility from two segments, that is, RBI which has jurisdiction over monetary policy issues. Fiscal policy and the broad growth-oriented employment policy are decided by the Government. The pattern has been set and I can tell you, Sir, that in India today, the central bank and the Government, is among the best relationship in the developing world. It is regarded as an achievement. We can at least be proud of that irrespective of all the other problems that we have. Thank you very much.

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): Thank you, Dr. Jalan. Now it is almost five. We have one more speaker and hon. Minister's reply. So, I want to take the sense of the House. Half-an-Hour discussion is also listed. Should we finish this? I feel we can finish it because there is only one speaker left. ...*(Interruptions)*...

SHRI SANTOSH BAGRODIA: You do not promote this thing. ...*(Interruptions)*...

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): I am just telling that I have to take the sense of the House. ...*(Interruptions)*...

SHRI SANTOSH BAGRODIA: If you advise and if the Minister requests, we will agree. ...*(Interruptions)*... If he tries to be difficult, we will not agree.

SHRI P. CHIDAMBARAM: Sir, I request. ...*(Interruptions)*...

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): Is it the sense of the House that we finish this first?

SOME HON. MEMBERS: Yes, Sir.

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): Good. Thank you very much.

SHRI SANTOSH BAGRODIA: After that we will take it up.



5:00 P.M.

श्री विजय कुमार रुपाणी (गुजरात) : माननीय उपसभाध्यक्ष जी, इस बिल पर बहुत सारे ऑनरेबल मੈम्बर्स ने अपनी राय दी है, मैं दो-तीन बातों पर बात करूंगा। एक तो जो इकनॉमिकल रिफार्म्स हो रहे हैं और इस बिल का आधार भी इकनॉमिकल रिफार्म्स बताया गया है। अब यदि बैंकिंग क्षेत्र में हमें बहुत आगे बढ़ना है तो हमें इसकी हिस्टॉरिकल बैकग्राउंड में भी जाना चाहिए।

उपसभाध्यक्ष जी, 1969 में बैंकों को नेशनलाइज़ किया गया था। तब जो इंटरनल पावर स्ट्रगल था, उसके आधार पर यह हिस्ट्री बनी, क्योंकि 1969 में श्री मोरारजी भाई देसाई हमारे वित्त मंत्री थे और 16 जुलाई को श्री मोरारजी भाई को फाइनेंस मिनिस्ट्री से हटाया गया। 19 जुलाई को उनको कैबिनेट से भी हटाया गया और तुरंत ही, कुछ ही घंटों में सभी बैंकों को, 14 बैंकों को नेशनलाइज़ करने का कांग्रेस की सरकार ने फैसला लिया और उस वक्त एक्टिंग प्रेजिडेंट, श्री वी०वी० गिरी जी थे, उन्होंने तुरंत इसको पारित कर दिया और तब जो प्राइवेट बैंक थे, उनको नेशनलाइज़ कर दिया गया। जैसा अभी हमारे से पहले वाले एक वक्ता ने कहा कि पहले लोन नहीं मिलता था, अब मिलने लगा, छोटे-मोटे लोगों का काम करने के लिए नेशनलाइज़ बैंकों का नारा दिया और उसके आधार पर गरीबी हटाओ की बात कांग्रेस पार्टी ने रखी थी। माननीय उपसभाध्यक्ष जी, सोवियत ऐक्सिस और ऐरोनॉमी के दबाव में यह बात आगे बढ़ी थी। के०जी०बी० की रिपोर्ट और डायरी में भी लिखा गया था कि उस वक्त यह डिस्मिशन लिया गया और सोशलिज्म की बात वहां से उत्पन्न हुई और इस देश में समाजवाद लाना है, देश को आगे बढ़ाना है, ऐसी बात कही गई थी। लेकिन, 1990 से फिर से गंगा उल्टी बहाई गई। हमारे डा० मनमोहन सिंह जी, माननीय प्रधान मंत्री जी ने इकनॉमिकल रिफार्म्स और फिर से प्राइवेटाइजेशन की बात कही और प्राइवेट सेक्टर को आगे बढ़ाने के लिए हमारी नई नीति चली। मैं कहना चाहता हूं कि हमारी NDA की सरकार ने 33 परसेंट पब्लिक सेक्टर बैंकिंग में, अभी जो 51 परसेंट रखा गया है, हम चाहते थे कि इस अमेंडमेंट में, अगर हमको फुली रिफार्म करना है, तो 51 परसेंट से घटाकर जब हम 33 परसेंट करेंगे, तभी यह अच्छी तरह से इकनॉमिकल रिफार्म और बैंकिंग का रिफार्म होगा। रिज़र्व बैंक के माननीय एक्स चेयरमैन साहब बोल रहे थे, लेकिन मैं दावे के साथ कहता हूं कि 50 इंटरनेशनल जो बैंक हैं, उनमें हमारे किसी भी बैंक की गणना नहीं होती है। हमारे भारत का एक भी बैंक इसमें नहीं है और जो GDP बैंकिंग रेट में बताया गया है कि Banking credit of Private Sector as a ratio of GDP. तो 2001 और 2003 में यू०एस० का 190 परसेंट GDP rate है, यू०के० का 143 परसेंट है, चाइना का 136 परसेंट है, जर्मनी का 118 है और इंडिया का सिर्फ 35 परसेंट है। मैं यह कहना चाहता हूं कि हमें अगर आगे बढ़ना है और माननीय वित्त मंत्री जी ने भी अपनी 2005-06 की बजट स्पीच में बताया था, उस वक्त ऐश्योरेंस दिया था कि हम बैंक को प्रेफ़ेरेन्शियल शेयर हम अलाउ करेंगे और इसके आधार पर हम अपनी पूंजी बढ़ाएंगे, लेकिन आज तक और इस अमेंडमेंट बिल में भी इस बारे में कुछ किया नहीं गया है।

अगर हम पूंजी नहीं बढ़ाएंगे तो जहां तक छोटे-छोटे लोगों को कर्ज देने की बात है, वह सब हम नहीं कर सकेंगे। हम 33% की बात इसलिए करते हैं कि अगर हम बैंकों को पूरी ऑटोनॉमी नहीं देंगे, हमें यह भी बताया है कि बोर्ड ऑफ़ डायरेक्टर्स में जिनके पास इक्विटी व शेयर होल्डिंग होगी, उनमें से छः में से तीन को प्राइवेट सेक्टर में लाने के लिए कहा गया है। इसके लिए आपने कम से कम तीन वर्ष और अधिक से अधिक छः वर्ष का प्रावधान किया है।

आपने यह भी बताया है कि अभी जहां पर दो एक्टिव डायरेक्टर्स हैं, उनकी जगह चार एक्टिव डायरेक्टर्स बनाएंगे, लेकिन नॉर्थ ब्लॉक, फाइनांस मिनिस्टर की परमिशन के बिना कुछ भी संभव नहीं है। फाइनांस मिनिस्ट्री का इंटरफेरेंस इतना अधिक होता है, जिसके कारण नैचुरल कोर्स में जो बैंकों की ग्रोथ होनी चाहिए, वह नहीं हो पाती है। ज्यों ही कोई डिस्मिशन लिया जाता है, तुरन्त ही उन पर इम्प्लिमेंटेशन होना चाहिए, लेकिन वह नहीं होता है। मैं आपको एक बात बताना चाहूंगा, यह इकोनॉमिक टाइम्स में आया है कि जब यह एमेंडमेंट हो रहा था, उस समय 5 अगस्त के इकोनॉमिक टाइम्स में बताया गया कि "These days the proposal on interest rate revision is not even placed before the Board of Directors."

बोर्ड ऑफ डायरेक्टर्स के पास यह बात आई भी नहीं थी, लेकिन नॉर्थ ब्लॉक में यह फैसला भी हो रहा था, इसीलिए हम 51% से 33% की बात कर रहे हैं। अगर आप उन्हें अच्छी तरह से ऑटोनोंमी नहीं देंगे तो हमारे यहां के जो बाबू लोग हैं, उनकी प्रिवियस हिस्ट्री भी है कि जब हर्षद मेहता का स्कैम हुआ था, उस समय हमने जो जेपीसी गठित की थी, उस जेपीसी ने यह हवाला दिया कि वहां के बैंकों को नॉर्थ ब्लॉक ने जो डायरेक्शन दिया था, उससे बैंकों को इतना मुनाफा हुआ, उन्हें इतना अधिक फाइनांस किया गया कि उसी के कारण आज हमारे बैंकों में इतना बड़ा घोटाला हो गया।

25 लाख से नीचे जितने भी लोग फाइनांस लेते हैं, आप उनका एनपीए देख लीजिए और जो लोग 25 करोड़ से ज्यादा फाइनांस लेते हैं, आप उनका एनपीए भी देख लीजिए। इसे देखने से आपको मालूम होगा कि पिछले दस वर्षों में हमारा एनपीए 75,000 करोड़ बढ़ गया है। बड़े-बड़े लोगों ने, अर्थात् प्राइवेट सेक्टर में जो बड़ी-बड़ी कंपनियां हैं, जितना फाइनांस उन्होंने लिया है, वहां से पैसा वापस भी नहीं आया है। लेकिन, दूसरी ओर जो फाइनांस सामान्य आदमी या मिडल क्लास के लोग लेते हैं, उनका पैसा वापस मिल जाता है, इसलिए उनका एनपीए कम होता है, हालांकि उनकी संख्या ज्यादा होती है। लेकिन उन्हें फाइनांस देने के लिए हमारे यहां कोई भी अच्छी व्यवस्था नहीं है और इसीलिए हमारे यहां आज यह सब प्रॉब्लम्स आ रही हैं।

इसलिए मैं चाहता हूं कि इस बिल में एनडीए की सरकार ने जो 33% की बात की थी, अगर हम उसे लागू नहीं करेंगे तो फिर इस एमेंडमेंट से हम जिस इकोनॉमिक रिफॉर्म की या बैंकिंग रिफॉर्म की बात कर रहे हैं, वह संभव नहीं हो सकेगा। इसका मतलब यह नहीं है कि हमारे यहां पर विदेशी बैंक आ जाएं, हमारे यहां पर बहुत से प्राइवेट बैंक हैं, जैसे आईसीआईसीआई बैंक है, एचडीएफसी बैंक है, ये बैंक बहुत अच्छी तरह से काम कर रहे हैं। आज आईसीआईसीआई बैंक तो नम्बर वन बैंक बनने जा रहा है। इस तरह हमारे अपने प्राइवेट बैंक भी आगे बढ़ सकते हैं। हम इकोनॉमिक रिफॉर्म की प्रक्रिया को आगे बढ़ा रहे हैं, उसमें अगर हम इसे 51% से 33% कर देंगे और साथ ही नॉर्थ ब्लॉक एवं रिज़र्व बैंक का इंटरफेरेंस भी वहां पर कम हो जाए, लेकिन यहां पर तो विडम्बना यह है कि आज आप रिफॉर्म के नाम पर जो रेस्ट्रिक्शन लगाना चाहते हैं या इंटरफेरेंस करना चाहते हैं, इसका मतलब यह नहीं है कि उन रेस्ट्रिक्शन्स पर रिज़र्व बैंक की नजर जरूर रहनी चाहिए। यह सही है कि बोर्ड ऑफ डायरेक्टर्स के पास पूरी इन्फॉर्मेशन है और आप नॉर्थ ब्लॉक में आकर अपने ऑफिसर्स के पास बैठ कर बताते हैं कि बैंक को क्या करना है या क्या नहीं करना है। आज अगर डिबिडेंट देना है या डिबिडेंट इन्फ्रीज करना है तो वह काम बैंक के बोर्ड ऑफ डायरेक्टर्स नहीं कर सकते हैं, उसे

नॉर्थ ब्लॉक से पूछना पड़ेगा। अगर आपने बैंक की ब्रांचिज़ बढ़ानी हैं, वह काम भी बोर्ड, ऑफ डायरेक्टर्स नहीं कर सकते हैं, उसके लिए भी उन्हें नॉर्थ ब्लॉक से पूछना पड़ेगा। इन सब विडम्बनाओं से निकालने के लिए आप पूरे बोर्ड को ऑटोनॉमी दें और हमारा ऐसा मानना है कि जब आप इसे 33% करेंगे, तभी सब ठीक हो सकेगा, इसके साथ ही मैं बिल का समर्थन करना चाहता हूँ।

SHRI P. CHIDAMBARAM : Mr. Vice-Chairman, Sir, I am grateful to all the sections of the House, especially the hon. Members who participated in this discussion and, without exception, broadly extended their support to this Bill. I can do no better than endorse a thought expressed by Dr. Jagan. Among the developing countries, and even taking into account some developed countries, India's banking system is the best and one of the best regulated systems in the world. The reasons are not far to seek. The first major step taken, which has paid the best dividend, was the nationalisation in 1970 and 1980. Through that step, the character of Indian banking has changed; the goals and purposes of Indian banking have changed. The banks became a powerful instrument to reach financial services to the masses of this country. Of course, a number of reforms have been undertaken by the successive Governments. And, it is to the credit of the successive Governments that the role of the Government and the role of the Reserve Bank have been complementary to each other and, together, both have worked to make the Indian banking system strong and better-equipped to serve the goals for which banks should function. I think, experience has taught us that we have to move to the next stage, that is, better corporate governance.

This Bill, as I said in the opening remarks, is aimed at improving corporate governance. We have changed the composition of the Board of Directors. And, each change has a purpose. Of course, Members have correctly pointed out that it is no longer possible to manage such large businesses with one full-time Chairman and one Executive Director. After the State Bank of India, which has a Chairman and up to two Managing Directors, there are a couple of banks which are already touching a business of Rs. 2,00,000 crore. Rupees two lakh crore is a lot of money. It is a lot of responsibility. There are a lot of functions to be performed. So, I think, we are taking a right decision and enabling us to appoint four full-time Directors -- one of them will be the Chairman, the other three will be Executive Directors. Executive Directors, as everyone knows, are selected through a very transparent process by an Appointments Committee, headed by the Governor, Reserve Bank, in which the Deputy Governor of the

Reserve Bank has an important role to play. Therefore, except in a case where they will make a gross mistake, my experience is that most of their choices have turned out to be correct choices. Naturally, we need to have Directors, who reflect the shareholding pattern. Since private shareholding will not exceed 49 per cent and the number of Directors, to be appointed under clause (h) and clause (i), cannot exceed six, the number of Private-shareholder Directors cannot exceed three, which is why the private shareholders will be providing one or two or three Private Directors representing non-Government shareholders, and the Government will have a right to appoint the remaining Directors. As far as Private Directors are concerned, a new clause is being introduced to say that they have to always satisfy the 'fit and proper' condition. Mr. Bagrodia asked me, "What is 'fit and proper'?" Of course, 'fit and proper' is not defined. But many words of art, law and business are not defined. 'Good faith' is not defined, but 'good faith' has a meaning. Every lawyer, every Judge knows what 'good faith' is.

Similarly, while 'fit and proper' is not defined in the Act, there are well-established criteria in the banking industry for who is 'fit and proper'. Every Director has not only to satisfy the fit and proper condition, throughout his tenure he shall continue to satisfy the fit and proper condition. If he is not satisfying the fit and proper condition, then, there is a power to ask him to resign or he will be removed from office. And, the power is being given to the Reserve Bank of India. The Reserve Bank should find him to be a fit and proper person based upon his track record, integrity, and such other criteria as the Reserve Bank may notify from time to time. As far as Government Directors are concerned, since Government is the majority shareholder, and I reiterate, the policy of the UPA Government is that in public sector banks we shall always have a shareholding of 51 per cent only. It is not our intention to dilute below 51 per cent. I know, Mr. Ramdas Agarwal pointed out that the previous Government had intended to bring it down to 33 per cent. Now, at that time, I commented, "How can you bring down the shareholding of Government to 33 per cent and, yet, retain the public sector character of a bank." We can retain control of a bank, but, we cannot retain the public sector character of a bank. If you wish to retain the public sector character of a bank, which is the policy of the UPA, -- and I have no apologies for that policy, I support that policy fully, -- then, I think, the Government shareholding cannot go below 51 per cent. As long as Government shareholding is 51 per cent or more, then, Government would have the right

to appoint Directors. And this is not an unguided power because the section says who these Directors shall be and what interest they should represent. After this Government took office, we have framed guidelines. There is a rather complex process of identifying people who fit those guidelines, and the ultimate decision is taken by the Appointments Committee of the Cabinet, which is the highest Cabinet body. I think, most Directors that we have appointed have turned out to be diligent Directors who attend Board meetings. And when, I travel around and I meet some of them they come and tell me what they have learnt and what they have contributed. It is possible that one or two Directors are not so diligent, but I shall, certainly, try to address these Directors and tell them they should be more diligent; they should attend all the meetings; they should learn and they should contribute to the functioning of the bank.

Sir, a question was raised about banks which are close to 51 per cent, what will they do? But there are only three ways of raising capital. One is to add to the reserves by transferring your profits to reserves or to infuse fresh capital. Now, of course, we have got another way, namely, to raise the preference capital. The Reserve Bank has recently made new guidelines, allowed banks to raise Tier-II capital. Norms have been laid down for that. Then, there is Tier-III capital for which norms have been laid down. Some part of Tier-II capital and some part of Tier-III capital, we will count for capital adequacy. There are very detailed norms laid down by the Reserve Bank. Now, the preference capital can be raised. And, this is one way of augmenting the capital of the bank without diluting the equity of the Government below 51 per cent. Detailed provisions have been made in the amendment Bill. I do not think it is necessary for me to read the detailed provisions, and someone like Mr. Ramachandriah will understand that the provisions are quite detailed, and we have consulted the RBI and the IBA. These provisions have been drafted very carefully. So, now, I think, even a bank which is close to 51 per cent like Dena and OBC, which will have the capacity to raise preference capital and augment the capital, in order to keep abreast and to meet capital adequacy norms. ...*(Interruptions)*...

SHRI SANTOSH BAGRODIA: I am sorry to interrupt. If I am permitted, I would like to say that you can raise 51 per cent capital, but you also have to ...*(Interruptions)*... So, at least, you will be able raise 50 per cent.

SHRI P. CHIDAMBARAM: I have said that; I said that I would have to infuse capital. ...*(Interruptions)*...

SHRI SANTOSH BAGRODIA: No, you said, preference...*(Interruptions)*...

SHRI P. CHIDAMBARAM: I said that there are two methods. One is to add to the reserves and the other is to infuse capital. I said that...*(Interruptions)*... Sir, now, we believe that a bank Director's tenure should not exceed six years, private Directors as well as nominee Directors. One term is of three years, plus, in cases where we think it is appropriate, extended by another three years. I entirely agree with the hon. Members, nobody should become a permanent Director of Bank. I think there should be fresh blood. Fresh talent must enter. I am sure there are enough people in this country even among all categories of people. There are enough people, young people, educated people who can contribute to the Bank. That provision is being made now. Some question about branches were raised. I have the figures for all banks' branches. In 2003-04, the total number of branches were 66,970. In 2005-06, that has risen to 68,681. It might appear at first blush that the number of rural branches has come down. *Prima facie*, you are right, but you have to examine that statement more carefully. The number of rural branches was 32,080 in 2003-04. It appears to have come down to 30,572. Why? By definition, a rural branch is a branch where the population does not exceed 10,000 people. Now, if the population of that place exceeds 10,000 people, it is, automatically, upgraded as a semi-urban branch. Therefore, it is a rural branch, the bank is there, the branch is there, but its category moves from rural to semi-urban. This is number one. Number two, urbanisation is taking place in this country. You cannot deny that; you can't stop it. In fact, in many States, 45 per cent is already urbanised. In about 10 years from today, according to the studies that I have seen, roughly 45 per cent of India would be urbanised. Therefore, more banks and more branches would have to be opened in urban areas because that is where the density of the population is. Sir, it is not as though rural branches are being closed down. In fact, no rural branch can be closed down unless it establishes it is unviable, it is loss-making and obtains the prior permission of the RBI; it cannot be closed down otherwise. Sir, Mr. Tapan Sen asked me, "Why are you dropping the RBI nominee." We are not dropping the RBI nominee. We intended to drop the RBI nominee, but after consultation, we agreed. This answers your question also. We intended to drop the RBI nominee

because the RBI said, "I am the regulator; I should not have my nominee on the Board." And I thought that was a persuasive argument. But, then, other friends were even more persuasive. They said, "No, you cannot drop the RBI nominee; we will agree, let the nominee not be a serving officer of the RBI. Let him be an RBI nominee." So, we struck a compromise. The compromise is that he is an RBI nominee, but not a serving officer of the RBI. The RBI will recommend a set of names to be appointed as nominee from among the people of experience in banking, and one of them will be appointed as nominee. So, I think, we have satisfied both to the extent possible.

SHRI C. RAMACHANDRAIAH: What is the advantage?

SHRI P. CHIDAMBARAM: The advantage is this. I thought I was persuaded by the RBI's case that its nominee should be dropped. But, there are other shades of opinion where they say, "All right, we will accept. Let the RBI officer not be appointed, but let the RBI nominee be also there." As I said, it is a compromise we are making in order to see that there is a consensus so that the Bill can be passed. Let us allow this for some time, and let us see after that.

There was one question about recruitment. I think these are matters which should be left to the banks. The per capita business of a bank is one indicator of a bank's productivity and efficiency. If you look at it that way, the per capita business in public sector banks is lower than in private sector banks and the foreign banks. Nobody is suggesting retrenchment.

But we must allow the productivity and efficiency of public sector banks to catch up with private sector banks and foreign banks, if they have to remain competitive. It is not that the recruitment has been banned or stopped. There are hundreds of people who are being recruited today, and I will tell you which categories they are. For example, any number of B.Sc. agricultural graduates are being recruited today. The banks are recruiting nearly two hundred, three hundred -- each bank is recruiting -- agricultural graduates. Banks are recruiting today people specialising in computers, software, computerisation and systems. Banks are recruiting people in human resource development. The old notion of a bank employee, namely, an assistant or a clerk, maybe, there, there is a slow down of recruitment there. But specialised categories are being recruited, and after this Government came into office, we have allowed banks full autonomy to

recruit specialised category and to fix their scales of pay accordingly. The recruitment is taking place. I can give you any number of examples of specialised candidates being recruited by banks. Sir, Mr. Bhatia has said that public sector banks don't work for a moment beyond four o'clock. It is completely wrong, Mr. Bhatia. Any number of public sector banks have announced 8.00 a.m. to 8.00 p.m. banking. Let us not run down our banks. Many, many banks have announced 8.00 a.m. to 8.00 p.m. banking. There are twenty-four hours banking. ...*(Interruptions)*...

SHRI VIRENDRA BHATIA: You are mistaken. I said that 'those who have announced that they will work till 4.00 p.m. close at 3.30 p.m. ...*(Interruptions)*... They are closing their doors, at least, half-an-hour earlier.

SHRI P. CHIDAMBARAM: I am not saying that some branch of some bank closes half-an-hour earlier. ...*(Interruptions)*... But there are other branches which keep open half-an-hour later also. ...*(Interruptions)*... How can you say that? ...*(Interruptions)*...

SHRI VIRENDRA BHATIA: You don't have practical experience in this regard. I have a practical experience as a customer. You might have been given a preferential treatment. But I know it from my experience and other's experience.

SHRI P. CHIDAMBARAM: I am persuading the banks to become flexible in their working hours. I know banks which have adopted 8.00 a.m. to 8.00 p.m. working hours schedule, namely, Dena Bank, Bank of Baroda, have got many 8.00 a.m. to 8.00 p.m. branches. I know banks which open early in the morning and close late in the evening. I know banks which remain open for twenty-four hours. There are branches of one bank, which remain open for twenty-four hours. Bank of Baroda has got branches which remain open for twenty-four hours. ...*(Interruptions)*...

SHRI VIRENDRA BHATIA: There are certain branches of certain banks which remain open even on Sundays. ...*(Interruptions)*...

SHRI P. CHIDAMBARAM: Therefore, the point you should make is, ...*(Interruptions)*... Just a minute, Mr. Bhatia. You have made your point. The point, you should make is, -- please don't say all public sector banks don't work -- if there is any branch which is not adhering to the announced banking hours, please take action to ensure that they should adhere to it. That I accept. ...*(Interruptions)*... That I accept. ...*(Interruptions)*...



Sir, I can't really comment on foreign banks not giving credit card, as Ravi Shankarji has said. I have a credit card of a bank ...*(Interruptions)*... which has just given me one. ...*(Interruptions)*... I am answering that. He says, 'he is being denied.' Now, I can't say, why he was denied, or, under what circumstances, he was denied. But all I can say is, there are two things. I am willing to ask the Reserve Bank of India because now there is a new code of banking practices - that has been put in place - all banks have been asked to subscribe to the code of banking practices. This code of banking practice, which is on the Website, contains a large number of guidelines which protect consumer rights. Every bank is required to adhere to this code of banking practices. I will certainly ask the Reserve Bank of India. That has been put on the Website and implemented only about two or two-and-a-half months ago. ...*(Interruptions)*...

SHRI C. RAMACHANDRAIAH: It came widely in the newspapers.

SHRI P. CHIDAMBARAM: It came in newspapers. I shall certainly ask the Reserve Bank of India. Allow this code to settle down for six months and then find out how many banks are adhering to this code and how many are not adhering to this code. That is one way. The other way is, something which I think all hon. Members should know and the people should know, we have now got banking Ombudsmen in place, a completely new revamped Ombudsman scheme, with powers to decide the matter and enforce a decision, has come into being from the 1<sup>st</sup> of January, 2006. I would urge, you send me complaints. If you send a complaint to me, I will ensure it goes to the Ombudsman today. You can send a complaint to the Ombudsman directly. So, please take these cases to the Ombudsman. If you send it to me, I will send it to the Ombudsman. Let the Ombudsman rap on the knuckles of a few foreign banks and everybody would then behave. There are two ways of ensuring this to happen, and I will see that these aberrations don't take place.

SHRI AMAR SINGH: Mr. Finance Minister, you may surely find out for yourself that I am not a defaulter! The RBI works under your Ministry, and I pay very hefty income tax. This is not my experience alone; it is the experience of many hon. Members, cutting across party lines -- there is an undeclared theory of foreign banks, in particular -- not the ICICI Bank, I have got wonderful experience with that bank -- that if you are an MP or an advocate...*(Interruptions)*.. You are both. You are a specially privileged person and that is why you have got one. But all of us have been denied one.

SHRI P. CHIDAMBARAM: All right, I shall look into that. I have said I shall look into that. You have given me the name of the bank, I would reply.

SHRI RAVI SHANKAR PRASAD: It is your onerous duty, as a senior Member, as a Member of Parliament, to protect the dignity of the...(interruptions)...

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): I think the hon. Minister has said that he is going to look into it. I don't think you can have anything more than that.

SHRI P. CHIDAMBARAM: I know the name of the bank you have mentioned about. Therefore, I shall find out.

SHRI AMAR SINGH: Sir, I am also a registered lawyer and a member of the Bar...(interruptions)... I am not as successful as you are, but please, protect the dignity; you are both a lawyer and a politician.

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): He has assured to do that.

SHRI P. CHIDAMBARAM: I said, I shall look into this to see...(interruptions)...

SHRI V. NARAYANASAMY (Pondicherry) : Mr. Minister, I wish to seek only one clarification. If a politician or a lawyer, after availing the facility of loan, does not repay regularly, how could the bank give it...(interruptions)...

SHRI S.S. AHLUWALIA: That is not right. If a politician takes loan, he would certainly pay it back because he understands what would happen otherwise...(interruptions)...

SHRI P. CHIDAMBARAM: Now, a question was asked as to why are we taking this exceptional power to supersede the bank board. I think this power is necessary; it is not that I am afraid that it will have to be invoked.

'Today, as the Acts were drafted, there is no power to even remove a Chairman or Managing Director. You can only quietly and gently nudge him to vacate. There is no such power; he may be appointed for a term, you may take disciplinary action, but there is no power as such. Bank cannot be treated like any other

employment. Although Government makes the appointment, you cannot treat it like that, because in any other case you can take disciplinary action, issue show cause notice and hold an inquiry. For banks, you can't do that. If the Reserve Bank comes to the conclusion that there has been grave delinquency, we have to take action that night, there is nothing else you can do. Sir, there will be a run on the bank the next morning, if I issue a show cause notice to the Chairman of one of the banks. Therefore, this power has been taken. Please, look at the nature of the power; it is a very limited power. It reads, 'Where the Central Government, on the recommendation of the Reserve Bank' -- not *suo motu* -- 'is satisfied that in the public interest, or for preventing the affairs of any corresponding new bank' -- that is, nationalised bank-- 'being conducted in a manner detrimental to the interest of the depositors or the corresponding new bank or for securing the proper management of any corresponding new bank, it is necessary so to do, the Central Government may, for reasons to be recorded in writing, by order, supersede the Board of Directors of such corresponding new bank for a period not exceeding six months as may be specified in the order.'

Therefore, this is an exceptional power; I think it is necessary to have this power. We can't anticipate what would happen; if the entire board or a section of the board, in the absence of a few board members, meet and take an extraordinary decision, it would have a deleterious impact on the system; I might have to take action that very night! Therefore, this power is necessary; this power is given to the Reserve Bank of India to recommend. I cannot take *suo motu* action. When the Reserve Bank recommends and I am satisfied, and then we pass an order in writing, it will, of course, become a public order and you would raise it in Parliament. I think this power is necessary, but I am confident that it would not be necessary to invoke it under the current circumstances or even in the future.

Sir, there was some reference to settlements in BIFR. That is a provision of the SICA, the Sick Industries Companies Act, where consent is required before one should make a sacrifice. But, I think if you go through the CDR mechanism, many cases are settled through this mechanism. If it becomes sick and goes to the BIFR, then, of course, consent has to be taken from every bank.

Finally, Sir, I just wish to say a word about what Dr. Jalan said about the relationship between Government and RBI. I think Dr. Jalan described the relationship very adequately; that is how it has been over the last twenty years or so, to my knowledge. We have never had any confrontation between the Government and the RBI.

In India, we have to balance growth and price stability. The price stability is the first charge of the Reserve Bank of India and growth is the first responsibility of the Government. Therefore, these two goals have to be balanced. Recently, for example, and I just want to conclude with this comment, there was a spate of articles or editorials saying that Government interfered with interest rates. I thought, there can be nothing more ridiculous than such charges. In fact, after talking to the Chairmen, Government sent that letter pointing out a number of aspects and said that this must be placed before the Board of Directors, not that we will tell you what the interest rate should be. There was an article by the professor of IIM Ahmedabad, and RBI Governor Mr. Reddy called me that morning and said, "It is a very balanced article. Have you read it?" That article fully supported Government's letter to the banks. What did that letter say? That letter said, "Place matters before your Board of Directors." Why do I say that? I think, corporate governance requires that Board of Directors must play an active role. What function is more important, when other functions are equally important, in a bank than set the interest rate? If that function is not to be done, not to be discharged by the Board of Directors, then what is the Board of Directors for? We only asked the Board to decide. The Government nominee on the Board merely placed the facts and aspects which have to be considered, and the Board decided in every case; we did not interfere in any case. In the papers, they wrote about Government and Governor are in confrontation. It is the Governor who called me that morning and commended the article, which fully supported the letter which we wrote to the banks. So, I think, this relationship between the Government and RBI will continue in future also, and between the two, they will ensure the banking system will become strong, and on which supports economic growth. ...*(Interruptions)*...

**श्री विजय कुमार रूपाणी :** सर, आप यह कह रहे हैं कि बोर्ड ऑफ डायरेक्टर्स अपना रेट ऑफ इंटररेस्ट तय करते हैं। दो-तीन बातें, जो बोर्ड ऑफ डायरेक्टर्स तय करती हैं ...*(व्यवधान)*...

**उपसभाध्यक्ष (श्री दिनेश त्रिवेदी) :** आप सिर्फ क्वेश्चन पूछिए। आपने तो अपना वक्तव्य रख दिया है।

**श्री विजय कुमार रूपाणी :** उन्होंने जो बताया है, उसमें इसे स्पष्ट नहीं किया है। मंत्री जी बता रहे हैं कि बोर्ड ऑफ डायरेक्टर्स सब तय करते हैं। बोर्ड ऑफ डायरेक्टर्स में गवर्नमेंट की ओर से भी डायरेक्टर्स हैं, रिजर्व बैंक की ओर से भी हैं। फिर भी बोर्ड ऑफ डायरेक्टर्स में अपने डिविडेण्ड की घोषणा, पूँजी की बढ़ोतरी और नई शाखाएँ खोलना, जो रेट ऑफ इंटरेस्ट बढ़ाना है, तो इनके लिए भी फिर से यह रेजोलुशन सरकार की अनुमति के लिए जाता है। यह क्यों जरूरी है?

**उपसभाध्यक्ष (श्री दिनेश त्रिवेदी):** वे मना कर रहे हैं कि ऐसा नहीं है।

**SHRI P. CHIDAMBARAM:** I think the hon. Member is completely misconceived. Nobody seeks the approval of the North Block for deciding what the dividend shall be or what the interest rate shall be. All this is done by the Board of the Bank. That has been so for many years; it will continue so in the future also. Nobody asks the officials or the Finance Ministry for taking these decisions. ...*(Interruptions)*...

**SHRI RAMDAS AGARWAL:** Sir, just now hon. Finance Minister has said that whatever decided in the Boards -- interest rate or anything -- is not supposed to go to North Block. Can North Block issue instructions to increase the rate of interest without consulting the banks?

**SHRI P. CHIDAMBARAM:** We do not and we have not issued such an instruction. ...*(Interruptions)*...

**SHRI RAMDAS AGARWAL:** A circular issued by your Minister. ...*(Interruptions)*... I thought, I took five minutes. All that we said was place the matter before the Board of Directors...*(Interruptions)*...

**SHRI C. RAMACHANDRAIAH:** Sir, I want to bring to the notice a practical problem. Suppose, a unit becomes sick and it has to pay Rs.60 cores to all financial institutions - assume 20 financial institutions, which financed its project. Out of Rs.60 crore, Rs.57 crore have been redeemed and only two institutions have not been paid. ...*(Interruptions)*... These two institutions, to whom Rs.3 crore are being owed, are stipulating a different condition which the management of the sick unit cannot accept because the same condition has to be made applicable to other institutions also. It has been pending since so many months.

**SHRI P. CHIDAMBARAM:** Sir, that is what I have tried to explain. If you go through the CDR mechanism, not through the BIFR route, if you are not a sick company, if you go through the CDR mechanism, the lead bank in that group of CDR banks will decide and everybody will accept it. But, if you have become sick in the sense that your net worth has been

wiped out and you are a sick company, declared as a sick company by the BIFR, and your case is before the BIFR, that Act requires that every person who is required to make a financial sacrifice, must give his consent. If anything has to be addressed, it must be addressed by amending that Act. If you go through the CDR (Corporate Debt Restructuring) mechanism if you are not a sick company, then you can get a consensus because the lead bank takes the responsibility for persuading all other banks. But, if you become sick. ...*(Interruptions)*...

SHRI C. RAMACHANDRAIAH: Sir, it became sick some nine years back.

SHRI P. CHIDAMBARAM: I cannot help it if your company has become sick.

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): Okay, I think, that has been cleared now. Now, the question is that ...*(Interruptions)*... I think you have had it.

SHRI P. CHIDAMBARAM: Ramachandraiahji, please, see the section in the SICA. The section in SICA says, "No creditor can be asked to make a financial sacrifice without his consent." If the BIFR has given an award, it must have secured the consent of everyone to give an award. I would show you the section.

SHRI C. RAMACHANDRAIAH: Even to get it executed, they have to approach the ...*(Interruptions)*... this is very important. Twenty-eight employees have committed suicide. It has become sick nine years back.

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): Now, the question is:

"That the Bill further to amend the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, the State Bank of India Act, 1955, the State Bank of India (Subsidiary Banks) Act, 1959, the Deposit Insurance and Credit Guarantee Corporation Act, 1961, the Export-Import Bank of India Act, 1981, and the National Housing Bank Act, 1987, as passed by Lok Sabha, be taken into consideration."

*The motion was adopted.*

THE VICE-CHAIRMAN (SHRI DINESH TRIVEDI): Now, we shall take up clause-by-clause consideration of the Bill.

*Clauses 2-19 were added to the Bill.*

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

SHRI P. CHIDAMBARAM: Sir, I beg to move:

That the Bill be passed.

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

SHRI SANTOSH BAGRODIA: Sir, I have a Half-an-Hour discussion, but I know there is a Bill. So, I will request you to take up the Bill first, and then, we will take up the discussion.

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### **THE SALARY, ALLOWANCES AND PENSION OF MEMBERS OF PARLIAMENT (AMENDMENT) BILL, 2006**

THE MINISTER OF PARLIAMENTARY AFFAIRS AND THE MINISTER OF INFORMATION AND BROADCASTING (SHRI PRIYARANJAN DASMUNSI): Sir, I beg to move:

"That the Bill further to amend the Salary, Allowances and Pension of Members of Parliament Act, 1954, as passed by Lok Sabha, be taken into consideration."

Sir, this Bill is due to the compulsion of five-year term extension of the Salary, Allowances and Pension of Members of Parliament Bill, which we passed earlier in 2001. Sir, as you know, the Salary, Allowances and Pension of Members of Parliament Bill is governed by article 106 of the Constitution. And, article 106 left this power to the Parliament. The Parliament, accordingly, composed Joint Committee of Members of both the House to examine the whole aspect and to recommend to the House and the Cabinet as to what should be the allowances and salaries of the MPs, from time to time. Sir, in the recent times, there was lot of debate in the media and many other areas as to whether MPs are taking more advantage and rest of the nation does not like it. That kind of a perception has been built. When MPs' issue regarding salaries, allowances, etc., comes, it appears to become the most juicy and choosy item for the media, especially the electronic media. But, the reality is altogether different. I first thank the Joint Committee, which worked so hard calculating all the details of world Parliaments, and I can say, Sir, Indian MPs represent the highest number of