

[श्री जगजीवन राम]

प्रदेश में गल्ला प्रोक्वोरमेंट का समर्थन किया है। उसके बाद हमारे कुछ कांग्रेस के साथियों ने पत्र लिखा कि हम लोगों ने गल्ला प्रोक्वोरमेंट का विरोध नहीं किया है बल्कि प्रोक्वोरमेंट करने में जो कुछ खामियां हैं उन खामियों को दुरुस्त करने के लिए जतन कर रहे हैं। तो मैं इसी को दुहरा देना चाहता हूं। मैंने उनसे कहा था कि जहां कुछ खामियां हों या जब गल्ले के प्रोक्वोरमेंट में कुछ ऐसा हो जाता है कि वैसे लोगों के ऊपर भी नोटिस आ जाती है जिनके ऊपर नहीं आनी चाहिये तो उन बातों को अधिकारियों के सामने लाना चाहिये या सरकार के सामने लाना चाहिये जिन्होंने कि उनको दुरुस्त किया जा सके। तो मेरे पास जो खत आये हैं उनमें यही है कि प्रोक्वोरमेंट-एज-सच का विरोध नहीं कर रहे हैं बल्कि उसके अन्दर जो खामियां हैं उनको दुरुस्त कराने के लिये प्रयत्न कर रहे हैं।

DR. B. N. ANTANI (Gujarat): In view of the present situation, while sympathising with the Government of India in their difficulties, are the Government prepared to consider the policy of abolition of the zonal system, which might alleviate the present difficulties?

SHRI JAGJIVAN RAM: It raises a question of policy. As the hon. Member is aware, this question was decided in the Conference of Chief Ministers of all the States concerned ..

DR. B. N. ANTANI: Revise it.

SHRI JAGJIVAN RAM: If it is to be revised, it can be revised only with the agreement of the Chief Ministers of various States concerned.

श्री राजनारायण : मगर कितने चीफ मिनिस्टर्स जोन सिस्टम चाहते हैं और कितने चाहते हैं कि खत्म हो।

THE VICE-CHAIRMAN^ (SHRI M. P. BHARGAVA): You cannot cross-examine him now.

श्री राजनारायण : जरा यह भी बता दें बता देने दीजिये।

SHRI JAGJIVAN RAM: In view of the situation that has developed, I am thinking of calling a conference of the Standing Committee of the Chief Ministers Conference very shortly.

RESOLUTION *RE. NATIONALISATION OF CREDIT INSTITUTIONS IN THE COUNTRY— contd.*

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): Mr. Kulkarni.

SHRI MULKA GOVINDA (Mysore): What about my suggestion?

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): Government can intervene at any stage. As soon as the Minister is here, I will ask him to intervene.

SHRI A. G. KULKARNI (MAHARASHTRA): Mr. Vice-Chairman, I want to bring to the notice of the House that though this Resolution was moved by Shri Banka Behary Das, the basic problem of the credit institutions has to be looked into . . .

श्री राजनारायण (उत्तर प्रदेश) : गवर्नमेंट इस पर वोट नहीं कराना चाहती।

SHRI A. G. KULKARNI: Production must be maintained. If production in all the sectors, whether public sector, private sector or cooperative sector, is to be maintained, I have to support this Resolution. There is a lack of understanding on the part of these people who are controlling the credit institutions, to understand the credit worthiness of the small people. That is why in this country, though much credit is available, in an under developed country like ours, so many small people are not coming forward to start their industries. That is why I am suggesting that nationalisation of banks should be taken in hand.

For example, you will see that the total requirements of the small industries are of the order of Rs. 1500 crores. They are giving a production of 40 per cent of the total national product in the organised sector of industries. They are giving employment to sixty per cent of the people, of the total organised employment. As against this, their requirements of working capital are met to the extent of sixty per cent only. What is the credit available in this country? We have achieved freedom. We talk of socialism. How can we achieve socialism? If such meagre facilities are made available to the small men, how do you think their interests will be served by keeping the banks under the present pattern of the Reserve Bank's control?

Similarly, I may say again that in the case of the big industrialists, as has been brought out in the Hazari Report, they are floating new industries, new ventures by equity participation up to ten per cent only. For the balance they have recourse to banking institutions and the capital market. In the case of small industries, it is found that they have no recourse to banking institutions. They have not been recognised by the big lords sitting in the board of directors of these big banks. He has to produce 58 per cent of the total requirements of the capital to start an industry. With so much handicap, how this socialism is going to be achieved is a very big question.

Again, I want to bring to the notice of this House another instance. The State Financial Corporations have been created. One of my friends suggested that there are various institutions giving credit in this country. If you go through the reports of the State Financial Corporations, you will find that barely ten per cent of the money has been invested in the small industry as capital loans. The balance of the money has been invested in big industries and medium-scale industries. So, with this kind of difference and disparity in the attitude of the directorate of these

big banks, how is it possible for the small industries to grow in the present circumstances?

Similarly, another field is the co-operative sector. We have found and so many of my friends have also mentioned it here that Rs. 500 crores are available for the co-operative sector, roughly Rs. 10 per acre. As you know, we want more food. We want these hybrid varieties to be grown. We want the maximum of food production. We want mechanisation. I think that unless Rs. 5,000 are made available per acre, no medium-scale mechanisation of the farms can be made. So, looking to this very negligible amount being made available to the agriculturists, whatever we talk of increased food production and food self-sufficiency by 1970-71, is not going to take place. Unless nationalisation of banks is immediately achieved, I do not think that the Government will make any break-through in regard to food production in the country.

At the same time, Mr. Chinnai mentioned that the IFC and ICICI are catering to the needs of the industries. I vehemently oppose the proposal because the co-operative sector as at present is a very big problem in this country. As you know, the minimum requirements of the co-operative sugar factories and co-operative spinning mills are round about Rs. 50 crores. The Government in another department, in the Industries department has licensed the co-operative sugar factories and co-operative spinning mills which require Rs. 50 crores. The Finance Minister has provided only Rs. 30 crores in the last Budget plus Rs. 10 crores in this Budget. Out of that how much money is going to be used by the co-operative sector? I have got my own doubts. I think unless certain drastic measures are taken in allocating priority for utilising this credit by the various sectors of industry, whether private, public, small, big or the co-operative sector, these things are not going to be achieved. I submit to the House that for this

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purpose the nationalisation of industries or social control of industries or whatever control of industries te necessary must take place.

Mr. Chinai also suggested that ihe Reserve Bank has got all the control. I oppose his suggestion. The Reserve Bank has got all the controls, but having all >the controls, the mischief is going on and having all these controls the grains and other raw materials of industries are hoarded by various people. He was saying that the directors of the board cannot take money. We have got ample evidence to show that his relative, his daughter, his son-in-law and various other men—because he himself sits on the board of the bank—under various pretexts and various names get money. Money is lent to them to hoard such strategic raw materials including foodgrains. That is why we have the present difficulties in the country.

While commenting on these bad practices, in affording credit to the monopolistic people who control these banks, at least the Government should take immediate steps to see that the boards of public institutions like IFC, ICICI and the Reserve Bank are socialised. I do not say nationalise. Let us socialise these boards of directors. Who are the people who are taken on thes_e boards? They have no mentality to take risk. They have got no eye towards the development of the country. They ar_e only seeing to the credit-worthiness and security of the funds. They are expected to distribute it to a worthy cause. In this respect, I do think there is a very urgent necessity for these boards to be socialised immediately. I quite understand the importance of distribution of money that we are talking about. Similarly, collection of money, saving, is also an important problem. May I suggest to the hon. Finance Minister that in the rural areas, due to the increase in the agricultural targets, due to the increase in inputs in agriculture, more crop and more

money is coming to the agricultural sector? The present scheduled banks and the present institutional financial schemes are not reaching the remotest corners in the villages. In this respect, may I suggest that the Reserve Bank should evolve a procedure of opening urban co-operative banks on a very large scale in rural areas so that the savings can be mopped up and utilised for the productive purposes of this country? I may mention here that there are at present co-operative credit institutions in villages. They cannot accept deposits, nor give loans, because they have got certain inhibitions under the Co-operatives Act. Even if these societies are permitted to collect deposits and give loans to the agriculturists ait the time of need, this money can be mopped up for the better purposes of the country's development programmes.

In such circumstances, while lending - support to the nationalisation of banks, I also come to another aspect of this question. It is the distribution system. This is what we call the control on the productive system of the country. In this distribution system I can say that the biggest malpractice at present is due to this export-import business. I do suggest to the House and I do recommend that this export-import business should be nationalised, just like the S.T.C, entering it. What is the S.T.C.'s share in the total trade? It is not more than 10 or 15 per cent. In the circumstances, I do suggest that unless increased participation by the S.T.C, or seme such similar organisation in the country-export-import programme takes place, all our talk of creating an afflueni society or giving opportunities to the new technocrats who are coming up in the rural areas will fall flat. In such circumstances, I recommend to the House that they should support the nationalisation of banks.

THE -VICE-CHAIRMAN (SHRI
MP BHARGAVA1: Mr. Pant

SHRI LOKANATH MISRA. I want to speak for ten minutes.

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): The leader of the P.S.P. said that the Minister be called.

SHRI NIREN GHOSH (West Bengal): I propose that the sitting of the House be extended till six, because we have lost half an hour.

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): We have yet forty minutes. At five we shall

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI K. C. PANT): Mr. Vice-Chairman, I am very grateful to the Members who have participated in this debate for the knowledge, study and personal experience which they have brought to bear on the subject under discussion. Many of them, as the last speaker, have personal experience of certain sectors of the economy. Mr. Kulkarni is associated with the cooperative sector. Any remarks from them regarding their specialised fields deserve particular consideration.

As far as my purpose in entering in this debate goes, Mr. Vice-Chairman, it is firstly.

SHRI D. L. SEN GUPTA: Do you oppose or support it? Tell us so that we can understand you.

SHRI K. C. PANT: Do not be so very impatient. My first objective is to define the Government's broad attitude and approach to banking and credit institutions and general insurance within the framework of the general economic policy of the Government. My second objective would be to try to survey the history of the growth of banking and credit institutions in this country in order to see what steps have been taken in the course of the last twenty years to build up the banking and credit structure in this country which would meet the needs of our particular

situation. My third objective would be to try and meet some of the specific points that have been raised in the course of the debate.

So far as the first objective goes, I have no hesitation in saying that we are agreed—the mover and I—that there should be no monopolist control over the country's economy. That has been the consistent approach of this Government and our party, and there is no quarrel on that at all. And why should I speak of parties? It is not a party matter. It is included in the Directive Principles of the Constitution which enjoin on us to operate the economic system in a way that it does not result in the concentration of wealth and means of production to the common detriment. Then there is the resolution adopted by Parliament in December 1954 which adopted the socialist pattern of society as the objective of social and economic policy, and we abide by that resolution. Our strategy within the framework of this broad approach has been a strategy of planned development and to carry out that planned development with a mixed economy so as to subserve the twin purposes of democracy and socialism. That has been our broad approach, and this approach has been incorporated in the industrial policy resolution of 1956. I do not want to go into details, but the House is aware that broadly speaking that resolution lays down the principles on which **our** industrial policy is based, and it lays down particularly that the public sector will gradually expand and will gradually occupy a larger area in the industrial map of this country and, secondly, that it will—to use the late Shri Jawaharlal Nehru's words—control the commanding heights of the economy. Thirdly, I think implicit in that resolution is the desire to create conditions in which new entrants of the type mentioned by my friend, Mr. Dharia, or Shri Kulkarni can enter industry and trade, and co-operatives can prosper. These are all inherent in the industrial

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policy resolution of 1956 and it has been the Government's policy all these years to adhere to these broad principles and this broad framework, and I submit that the Government's approach in regard to banking and credit institutions has also been fully in conformity with the basic principles which I have just outlined.

Mr. Vice-Chairman, I would like to say briefly that some Members have expressed the fear that the present banking system is a monopoly. The fact is that at present there are as many as 97 banks functioning with competition among themselves. I can give the break-up and details, but I do not think it is necessary. The second point that I would like to clarify is that banks come into the picture after factories have been set up. Banks do not license factories nor do banks contribute to the initial capital of factories. Therefore, it would be unfair to blame banks for the growth of any monopolist tendencies in the country.

SHRI ARJUN ARORA (Uttar Pradesh): But banks underwrite equity capital.

SHRI K. C. PANT: Very limited . . .

SHRI ARJUN ARORA: They do.

SHRI K. C. PANT: If you care to study the figures which I have taken the trouble to do, you will realise that the bulk of it goes into working capital and not the initial capital.

Let me briefly survey the growth of banking in India ever since independence. At the time of independence, that is in 1947, there was the Reserve Bank already existing, but the Reserve Bank's powers were rather limited. Almost the first step taken by this Government, by the Government of independent India, was to nationalise the Reserve Bank in 1948. Then came the enactments.

of the Banking Regulation Act of 1949 and this gave substantial powers to the Reserve Bank to control the operation of the banking companies. Those powers have been increased from time to time. But I should like to group them under three broad heads. Sir, these powers were taken by the Government or by the Reserve Bank with these basic objectives;

(1) protection of depositors' interests; (2) prevention of concentration of economic power; and (3) enforcement of the appropriate credit policy to serve the committed economic and social goals. Now, I should briefly like to refer to the specific powers for the achievement of these three objectives. Firstly, I shall refer to the group of powers, the regulatory powers, which were meant to subserve the first objective, namely, to safeguard the depositors' interests.

The safety of depositors' interests depends primarily on sound management and I shall refer only to the main enactments because the enactments are too many. I have just selected the main enactments. In 1956 powers were taken, to secure better management of banks through prohibition of appointment of directors and issue of directives to banking companies to take such steps as may be necessary in the public interest and to depute observers to the meetings of the board of directors. Then in 1960, the Reserve Bank was given wide powers to reconstruct and amalgamate banking companies. In 1963, the Reserve Bank was equipped with further powers to remove directors and other managerial personnel and appoint its nominees and to appoint additional directors up to a specified quota.

Then comes the second group of regulatory powers which are meant to prevent concentration of control by any individual or group of individuals and I think it is very important, in view of the comments that have been made in this House, that hon.

Members should be fully apprised of the powers already available to the Reserve Bank for this purpose. Firstly, no person holding shares in a banking company can exercise voting rights in excess of 1 per cent of the total voting rights of all the shareholders. Secondly, director of a banking company cannot be the director of another banking company or of companies, which, among themselves, are entitled to receive voting rights in excess of 20 per cent of the total voting rights of all the shareholders of the banking company. Thirdly, no banking company can give any unsecured loans and advances to any of its directors or to firms or private companies in which any of the directors is interested or to a company in which the chairman of the banking company is interested as a chairman or managing agent or in a similar associated capacity. Fourthly, the annual inspection of the banks is an important instrument in the hands of the Reserve Bank to ensure that advances to companies in which the directors are interested do not exceed a certain percentage of the total advances.

Then comes the third group of regulatory powers, Mr. Vice-Chairman, and these relate to the issue of directives on matters of credit policy, prescription of margin requirements and credit ceilings and similar credit regulation, as may be necessary from time to time, in the light of the prevailing economic and monetary conditions.

Then, Sir, I would refer to the most significant single event in the banking sector in the last ten years, which was the nationalisation of the Imperial Bank in 1955 and its constitution as the State Bank of India. Subsequently, in 1959 and 1960, eight banks operating in the erstwhile Part B States were constituted as subsidiaries of the State Bank of India. Now, the decision to create a public sector in banking was taken in pursuance of the recommendations arising out of

a comprehensive enquiry by the AU India Committee on Rural Credit Survey in the field of rural and cooperative credit. It was felt that it was necessary to make a determined effort to extend banking facilities in rural and semi-urban areas and Government did not hesitate to nationalise the premier banking institution of the country. This was in conformity with the accepted policy of acquiring for the public sector a predominant role in every important field of economic and financial activity.

Let me briefly refer to some of the important structural changes that have taken place in the banking sector in the last decade. In 1956, there were 423 banks, all but 89 of them being non-scheduled. Today there are only 97 functioning banks, as I said earlier, 24 of them being non-scheduled. The figures mentioned by Shri Banka Behary Das referred to the position as at the end of 1965. That was the position then. Now it has changed. Now, this is a reflection of the process of consolidation of the banking system that has been consciously brought about. But it has been brought about in a manner which has not led to the contraction of facilities. In fact between 1956 and 1966, there has been an increase of well over 60 per cent in the matter of expansion of branches and the network of branches in the rural and semi-urban areas by the public sector banks has been quite significant. Some years ago, there was a heavy concentration of branches in the urban centres and the vast hinterland was completely neglected. I am glad to say that the public sector banks have, to a large extent, corrected this imbalance. They have taken a lead in this matter. Between 1955 and 1965, the State Bank of India has opened branches in 1,040 places which have a population of less than 25,000, as against only 114 branches in places with a population of over 50,000. And I am glad to say that even the commercial banks have of late started following the lead given by the State Bank of India and they are gradually opening up branches in the

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hitherto unbanked areas. Nevertheless, there are still about 900 unbanked towns to be tapped, not to speak of our five lakh odd villages.. Therefore, a vigorous expansion programme is necessary.

At present, Sir, the percentage of bank deposit to national income which was 9 per cent in 1951 has improved to 15 per cent in 1965. But it is still much below the corresponding figures in many of the other advanced countries. For instance, in Japan, the USA and the UK, the percentage is 40.49 and 39 respectively, in relation to our 15 per cent. Thus, it will be seen, what tremendous efforts are still required to mobilise our deposits.

Now, Mr. Vice-Chairman, I shall come to some of the criticisms that have been levelled against the present situation and particularly one criticism is that you have legislated, you have taken powers, but in spite of these, the results are not what they ought to be. I have listened very carefully to the speeches of the hon. Members and the three or four main streams of criticism are, I think, the following, firstly, that the big business is appropriating a larger and larger share of industrial credit; secondly that the directors and others concerned enjoy advances at preferences of interest; thirdly that the small-scale industries continue to be neglected; and fourthly that though agriculture is still a major field of productive activity, it continues to get a pitifully low share of advances.

These, I think, are the four main streams of criticisms that have been levelled. I would be the last person to dismiss these criticisms off-hand as being ill-conceived. All of them are not ill-conceived, but I do think that some of them at least are rooted in certain misapprehensions. (Interruption by Shri D. L. Sen Gupta) I shall like to give the full facts if the hon. Member has the patience to listen to them

I of all. Sir, I should like to refer to advances to industry. Now the share of bank credit to industry 32 per cent, in 1950. It has increased not only in absolute terms but the share has nearly doubled, and it is now 64.3 per cent at the end of March 1966. Now this has been an impressive achievement and, by and large, it would be correct to say that there has been no failure on the part of commercial banks in meeting genuine credit requirements.

These advances have largely gone to meet the working capital requirements, to some extent medium-term requirement also of the industry which have been set up during the Plan period. I would submit that this share would probably go up still further if we are to make finance available to all the industries which we hope to set up in the Fourth Five Year Plan. As many hon. Members know, during the last busy season, the Reserve Bank issued a directive that not less than 80 per cent, of the expansion in bank credit, should during the busy season go to industry and export-import trade. And this was a step in the right direction to see that the genuine requirements of industries, big or small, are not curtailed. Here, Sir, I wish to quote the Mahalanobis Committee Report which has observed:—

"If the pattern of growth in a mixed economy has to be simultaneous development of both large scale and small scale enterprises, the regulatory measures should not take the form of withholding finance to larger units."

Reserve Bank, however, does scrutinise proposals for the grant of advances of rupees one crore and above and refuses to sanction limits on priority sectors. I am not saying that a substantial part of the advances has not gone to big industries. So long as there are persons engaged in pro-

ductive activities of a useful nature, their requirements of credits have to be met.

SHRI P. K. KUMARAN (Andhra Pradesh): What were the advances given to small scale and village industries as compared to bigger industries?

SHRI K. C. PANT: It is given only a limited period, it will be very difficult for me to finish in time. While on this, I would like to quote from an extract from the report of the Monopolies Enquiry Commission. It says:

"It is sometimes suggested- that big business also gets an unfair advantage, in securing advances quickly and convenient terms by reason of having their own men in the Board of Directors of Bank. It appears to us reasonable to think that a big businessman would ordinarily be able to get advances from any Bank easily and on convenient terms by reason of the better security he can offer, even if he has none of his men on the Bank's directorate,"

Before I pass on to the next important point, I would like to refer to two serious charges which were made by Shri Banka Behary Das. He alleged that in December 1962 banks advanced Rs. 132 crores at 5 per cent, or less, of which Rs. 1 crore was lent at 2 per cent or less to directors and their concerns. This was his charge. I am afraid there is some misunderstanding. The factual position is this. Out of Rs. 132.32 crores advanced at rates up to and inclusive of 5 per cent, Rs. 37.82 crores was either call money or interbank borrowing. The balance of Rs. 94.5 crores does not represent advances to directors or to the firms or concerns in which they were interested. These represent advances against banks' own fixed deposit receipts, advances to parties whose buildings are occupied by them as branch premises, advances to members of staff to purchase flats, perso-

nal loans to start and co-operative societies of members of staff and decreed advances where no interest is charged or charged at the rates stipulated by the courts. It may be mentioned that in 1962 the bank rate was 4 per cent, and the amount of advances, granted at rates up to and inclusive of 5 per cent., at the end of 1965, when the bank rate was 6 per cent., came down to Rs. 14.72 crores excluding call money and inter-bank borrowing.

The hon. Member levelled another serious charge against commercial banks of lending money to speculators in foodgrains. This is an unjustified criticism. The scheduled banks' advances against foodgrains have been subject to control by the Reserve Bank since 1957. The margin and ceiling restrictions are prescribed with reference to the availability of foodgrains and trends in foodgrain prices, to ensure that speculators do not get any bank advance for hoarding of foodgrains. In fact later, with the State Governments undertaking largely scale procurement of foodgrains the bulk of advance goes to them. At the end of June, 1966, when the outstanding advances against the security of foodgrains reached the peak limit of Rs. 87.82 crores, 70 per cent, went to State Governments.

Sir, I do not think that it is possible for the Reserve Bank to completely eliminate speculation in foodgrains so long as dealers have access to sources of finance other than from banks. But it is a different matter which I would like to discuss in a different context.

Now I come to another two aspects of banking which cause great concern to hon. Members. One is that adequate credit was not forthcoming for small scale industries and the other for agriculture. Shri Das, however, gave figures which, I think, it is my duty to correct. He stated that out of a total loan to small scale industries, the State Bank advanced 98

per cent, and the other commercial banks advanced only 2 per cent. The volume of advances to small scale industries have increased from Rs. 32.08 crores at the end of December 1961 to Rs. 90.76 crores at the end of March 1966. Out of this the advances of the State Bank of India and its subsidiaries on the respective dates rose from Rs. 6 crores to Rs. 39.70 crores; the percentage share of the public sector banks out of the total bank advances rose from 20.5 per cent, to 44 per cent, over the five-year period. In other words, at the end of March 1966, the percentage share of the private banks was 56. Though it has come down sharply, it is still 56 per cent.

Sir, the hon. Member may also be interested to know that the share of advances to small scale industries to total industrial advances rose from 4.8 per cent, at the end of December 1961 to 6 per cent, at the end of March 1966. Although substantial progress has been made, I would be the first to admit that considerable work still remains to be done in this field. Sir, the growth of small scale industries sustains the democratic way of life. I would look forward to the day when a small entrepreneur has no longer to worry about his tangible financial security and if he produces something worthwhile, and shows his productive work, he is assured of necessary finances. This is what we want to see done and this is where we seek the co-operation of the whole House to work in this direction.

Sir, then comes the question of advances to agriculture. It is correct that commercial banks do not advance much to agriculture.

SHRI BANKA BEHARY DAS: Not even one per cent.

SHRI K. C. PANT: Why are you so impatient? I am coming to that. Now, rural finance, particularly direct finance for agricultural production, has

features peculiar to it, such as personal security, uncertainties arising from susceptibilities to natural calamity, predominance of subsistence farming in our country and the relatively long period over which the production process is spread. Those make it difficult for commercial banks to undertake such business. The banks are trustees of the depositors' money and there is a limit beyond which they cannot be expected to risk their resources.

THE VICE-CHAIRMAN (SHRI M. P. BHAROAVA): Mr. Pant, I want to tell you that you have taken 28 minutes.

SHRI K. C. PANT: I will try to hurry up and finish as quickly as possible.

SHRI ARJUN ARORA: The time of the debate can be extended.

SHRI K. C. PANT: The debate was largely confined to banks and so I have taken more time on banks. I will come to insurance.

Now, in the agricultural field, it is the co-operatives which have been accepted as the main institutional agencies for extending agricultural credit. They have local roots and they can reach the farthest village and the smallest farmer. The State Bank and other commercial banks have been mainly financing marketing and processing co-operatives and contributing to the debenture programme of land mortgage banks. The number of accounts and the limits sanctioned by the State Bank and its subsidiaries to the co-operatives at the end of 1960 were 385 and Rs. 25.51 crores respectively; the corresponding figures at the end of 1961 were 1053 and Rs. 80.66 crores respectively. This is a significant increase, but I will be the first to admit again that we have a long, long way to go.

Then, Sir, let me come back to what I said at the beginning and to say that we want to work in a direction of opening ever-widening opportunities-

ties for small and medium scale industries and for co-operatives and agriculture. We want to concentrate, and we shall concentrate, our attention in these directions. The Indian banking system has achieved stability and maturity, but it has to be geared to meet the new challenges. And it is in this context that I want to refer to the Congress Working Committee resolution to which many references have been made in the course of the debate. I do not think I need to read out the resolution.

SHRI P. K. KUMARAN: We have read it long ago.

SHRI K. C. PANT: I am very glad. It will do you good to read Congress resolutions. The more you read them, the better it will be for you.

So these new challenges pose new problems for the banking industry, but the banks, as the fulcrum of our economic system, must also change. At the same time, we have to see that in trying to solve the problems in a particular way, other more difficult problems are not created. We have, therefore, undertaken an intensive examination of the problem in all its aspects so as to decide upon the steps that may be necessary to make the banks effective instruments in the furtherance of our social and economic objectives.

Sir, I now come to general insurance. I notice that the mover hardly touched on general insurance . . .

SHRI BANKA BEHARY DAS: The rules did not permit me to speak more than that.

SHRI K. C. PANT: That is all right. Possibly he assumed that the cases of banks and general insurance are similar. But there is some difference and, in fact, there is more in common between life insurance and banking in respect of the money that is available as against general insurance.

AN HON. MEMBER: What is the limit for him?

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): Thirty minutes, but the House is prepared to listen. The mover took 36 minutes.

SHRI K. C. PANT: I thought hon. Members would be interested in knowing . . .

SHRI BANKA BEHARY DAS: We are interested in your conclusions also.

SHRI K. C. PANT: How can I conclude at the beginning?

SHRI BHUPESH GUPTA (West Bengal): But then when do you begin?

SHRI K. C. PANT: I have already begun. You came late.

Now, Sir, the fact is that general insurance is not very dissimilar to any other commercial activity which functions on a year to year basis and that is the whole difference between general insurance and life insurance. Now this difference was made clear by the then Finance Minister, Dr. Deshmukh, in 1956. He nationalised life insurance and he gave reasons for not nationalising general insurance. These were the reasons he gave: (1) General insurance was part and parcel of private sector, of trade and industry; (2) unlike life insurance, it functions on a year to year basis; (3) the errors of omissions and commissions do not directly affect the individual citizens; and (4) the funds involved are comparatively minor and do not involve the savings of the people. Now I may explain point No. 4 a little further so as to give a correct picture. The general insurance funds are quite minor in the sense that the annual increase in the assets of the Life Department of the L. I. C. is of the order of Rs. 110 crores whereas the corresponding increase in the assets of all the general insurance companies put together is only Rs. 15 crores, and the disparity is even greater if the character of the funds is taken into account. I do not want to go

[Shri K. C. Pant.]

into details. There are obvious limitations to the capacity of general insurance funds to finance our Plans.

Then, Sir, you already have all the figures and statistics about how the general insurance companies have gradually expanded their area of functioning in the general insurance field. I would only like to explain how L. I. C. has grown in this field. The L. I. C. had a subsidiary transacting general insurance business, but it decided in April 1964 to enter the general insurance field directly. To help the L. I. C. Government controlled business, which previously went partly to the public sector and partly to the private sector, is now being completely diverted to the L. I. C. With this help, the L. I. C. has made good progress in the short time since it entered business and together with its subsidiary it accounts for more than 20 per cent of the total general insurance business done in the country. With its vast organisation, I am sure this percentage will increase, particularly as it is Government's policy to expand public sector in the general insurance field.

Now, Sir, I do not want to go into all the arguments for and against the general insurance. Arguments for and against have already been made and it would be wrong of me to take up the time of the House, particularly when I have transgressed the patience of the House. But I would say that the Congress Working Committee Resolution is there before us and the Government has now taken up for detailed examination, in depth the economic and administrative implications of the proposal, including the various possible ways in which the objectives of the proposal can be given effect to, the administrative arrangements to be made and the difficulties to be solved in that connection.

In conclusion, Sir, since hon. Members have been insisting that I should come to a conclusion, I find myself in

the happy position of accepting the amendments moved by Shri M. C. Shah.

SHRI BANKA BEHARY DAS: I am not accepting.

SHRI K. C. PANT: I do not want to oppose Shri Das's resolution. As I said, we are examining the matter and Shri Shah's amendments enable me to respond positively and responsibly to Shri Das's resolution without being hustled into premature comments on a matter which is under examination.

Thank you.

SHRI M. N. KAUL: There is one question which has not been answered. There are certain institutions, both public and private, which accept deposits from the public. The liberty that has been given to them is practically an uncontrolled liberty and I do not know what is the sphere of their activities and what is the amount of deposits that these public and private institutions are able to attract from the public. They are not strictly banks, but they are doing banking.

SHRI K. C. PANT: I shall have to look into this. Subject to correction, I think last year or the year before last some control was extended to these non-banking institutions which were taking deposits and there is a certain measure of control. I can give details after going into this and then indicate the extent of control.

SHRI M. N. KAUL: The examination which the hon. Minister promised should include these institutions also

5 p.M.

SHRI BANKA BEHARY DAS: It is such an important subject in which all are interested on both sides. We have already extended the sittings of the House till 23rd which is a non-official day and I think the Government and the House will agree that on 23rd we should take up this matter

because I have something to say about the reply the Minister has given and the other Members are also interested.

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): That cannot be done.

SHRI MULKA GOVINDA REDDY: The Minister of Parliamentary Affairs-is here. We wiH request him through you to accept the proposal that has Oeen made by Mr. Das that on 23rd we should take this up.

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): We cannot break the rules. It is not possible. I have

10 names of hon. Members before me who want to take part in this debat. Is the House willing to sit for about two hours more to accommodate them?

HON. MEMBERS: No.

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): The House stands adjourned till 11 A.M. on Monday.

The House then adjourned at two minutes past five of the clock, till 11 A.M. on Monday, the 12th June, 1967.