

†[श्री अब्दुल गनी : जब आप ने ऐसा कह दिया तो फिर मैं भी वाक ब्राऊट करता हूँ । ]

(Interruptions.)

(Some hon. Members then left the Chamber.)

### THE BANKING LAWS (MISCELLANEOUS PROVISIONS) BILL, 1963

THE MINISTER OF PLANNING  
(SHRI B. R. BHAGAT): Sir, I beg to move:

"That the Bill further to amend the Reserve Bank of India Act, 1934, the Banking Companies Act, 1949 and the State Bank of India Subsidiary Banks) Act, 1959, as passed by the Lok Sabha, be taken into consideration."

[THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): in the Chair.]

I am sorry, Sir, that printed copies of the Bill, with the amendments which have been accepted by the other House, were circulated somewhat late, but the provisions are not altogether new, and the House is, I think, aware of the circumstances in which the modification of the various enactments relating to banks is now being suggested. With these introductory remarks, I shall try to be very brief.

The House may recollect, Sir, that about fifteen years ago, in September 1948, an Ordinance known as the Banking Companies (Control) Ordinance was issued, providing for the first time for the control of the operations of banking companies in regard to such matters as the grant of unsecured loans and advances, the policy to be followed in regard to other loans, the maintenance of cer-

tain minimum assets in India and other similar matters. In the fifteen years since then, we have considerably extended the scope of our control, and the commercial banks themselves have benefited from this, as they have been strengthened and improved, and have been enabled to attract more deposits and to increase the turnover of their business. In the existing circumstances, some further extension of the area of control is necessary, in the interests of economic development.

Sir, in a statement which was made earlier in the House on the 16th December, 1963, and on several other occasions both in Parliament and elsewhere, the Finance Minister did refer to the need for stimulating the growth of savings in our economy and for ensuring that the legitimate needs of industry and trade would be met, so that the rate of growth, particularly in certain vital sectors, could be stepped up. From this point of view, our performance so far, while it has been good so far as it goes, has not been altogether satisfactory.

Banks have not been able to mobilise resources to the extent to which this has been necessary or possible during the current phase of growth. They have been handicapped as a result, in granting term loans for relatively longer periods, and latterly even in financing new projects and enterprises. The competition from the non-banking sector for deposits has been growing; and what is, I think, even more significant and unfortunate, a great deal of money remains unaccounted for, and is used for purposes which cannot be easily identified. This tends to weaken our commercial banking system.

It has inevitably been necessary, in view of the comparatively undeveloped state of the country and of the banking system, to create a number of specialised credit agencies. Some more institutions are bound to be established, as gaps in the institutional framework for the provision of credit are brought to our notice. The Reserve Bank of India, mainly because

its statute has been framed in the light of the theory and practice of central banking which were fashionable about thirty years ago, is not today in a position to co-ordinate the policies of these institutions, even when these policies vitally affect or influence the structure of interest rates or the rate of investment or the money and capital markets generally.

Central banking traditions, or any other traditions for that matter, cannot be rigid; and in a country in which the commercial banking system is not sufficiently developed or important, we cannot obviously be wedded to conservative British traditions as they were evolved several years ago. We have to take into account local needs and circumstances, and if it becomes necessary to control deposits outside the banking system or the loans, investments or other allied business of non-banking institutions, we may be failing in our duty, if we do not bring our laws or enactments up to date.

As far as the control of non-banking deposits is concerned, this Bill, Sir, contains no provision which, I think, will not be found in the Protection of Depositors Act, 1963, which was recently brought into force in the United Kingdom. Broadly, what we are aiming at is that apart from individual money-lenders, who are governed by the various State enactments relating to money-lending, and co-operative societies, which are a class by themselves, all persons or institutions accepting deposits from the public will have the obligation to comply with the regulations, which will be made for this purpose, by the Reserve Bank. It is not our intention to harass the small firms or partnerships, and firms with a subscribed capital, which is not in excess of a lakh of rupees, have been exempted as a result of an amendment which we have accepted in the other House.

As regards other persons or institutions, we hope that the Reserve Bank will be able to prevent malprac-

tices, if any, to stop unhealthy competition for deposits, and to prescribe and enforce reasonable conditions, including realistic rates of interest, disclosure of any information or particulars in which the depositors may be interested, provision for returning the money to them in certain contingencies, and other relevant matters.

As regards loan, investment and hire-purchase companies, or corporations or firms carrying on similar activities, we are proposing that the Reserve Bank should be in a position to get a fuller and more comprehensive picture of their activities than is now possible, to lay down certain uniform rules and standards as regards rates of interest on which loans may be granted or investments may be made and to give special directions regarding the functions and operations of these financial institutions, in so far as this may be necessary for the better regulation of the country's credit policy. Here again, we have accepted a clarificatory amendment of the definition of a financial institution in clause 5 of the Bill, so as to make it clear that we intend to control only those institutions which handle money or securities or other titles to money. In an undeveloped country, in which the normal methods of controlling or liberalising credit through the established commercial banks are not effective, the central bank has to be granted this specific authority, and I have no doubt that ultimately the results will justify this extension of the Reserve Bank's jurisdiction and functions.

I do not think, Sir, that it will be necessary for me to say much about the provisions in this Bill regarding the further control of the commercial banks themselves. One reason why the growth of our commercial banking system has not been more rapid or impressive during the last decade and half is that the leading institutions in the private sector are still influenced, to a greater or lesser extent, by the managing agency houses

[Shri B. R. Bhagat.]

which originally brought them into being and have since contributed to their growth. This influence is not necessarily or always bad. But if banks are to serve the interests of a larger or wider public, and if their lending policies and investment on development programmes are to be governed, as they will have to be, primarily by considerations of the public or national interest, a wider dispersal of the ownership of bank shares and some additional safeguards against the possibility of the abuse of power, by those who are now in control, will be needed.

We have had to be very careful in undertaking legislation for this purpose. As banks are credit institutions, subsisting mainly on the depositors' confidence in them, we cannot treat them in the same way in which we might treat industrial or commercial companies. Certain proposals for inserting in this Bill provisions similar to those in the Industries (Development and Regulation) Act, 1951, so that the Government or the Reserve Bank may be enabled to take over banks for temporary periods could not be accepted for this reason. On the same grounds, however, we will have to impose, and the directors or shareholders will have to accept, a greater measure of control over the assets or management of banks than may be justified in the case of ordinary companies.

We are providing in this Bill for a further reduction of the voting rights of individual shareholders, for the restriction of unsecured advances or the remission or writing off of loans in cases in which the directors' interest may be involved, for the removal or replacement of directors, officers or other employees, and for the appointment of a reasonable number of additional directors, if necessary, for strengthening a banking company.

These powers have been described as being very drastic and sweeping, but I do not think that they are ex-

cessive, and I have no doubt whatever that the Reserve Bank will use them judiciously and with discretion.

The amendments to clause 18 which we have accepted provide in any case for reasonable safeguards against any abuse of the relevant provisions by the Reserve Bank. In quite a number of cases, the mere provision in the statute for the exercise of these powers will, I hope, act as a salutary check on bank managements. If in an odd case any action has to be taken, the public interest will abundantly justify such action.

This Bill is intended to be a non-controversial measure. It has been criticised by some persons as going too far and by others as not going far enough. This criticism might be relevant, if ideological considerations were involved, but we have a more pedestrian and practical objective in view. As I said at the beginning of this speech, our main purpose, apart from clarifying and tidying up certain minor provisions of the law, has been to ensure that the Reserve Bank will be in a position to use the power and authority, which a central bank so obviously needs in an underdeveloped but rapidly growing economy, and also to ensure that the commercial banking system will be able to undertake the burdens and responsibilities of financing rapid economic development under these conditions.

I hope, Sir, that the Bill will be passed unanimously by all sections of the House.

*The question was proposed.*

SHRI DAHYABHAI V. PATEL (Gujarat): Mr. Vice-Chairman, Sir, this Bill, in spite of what the hon. Mover, has just said, is in keeping with the measures that we have been having during the last week one after another, bringing about a totalitarian State which seeks to control everything, whether it is limited companies or whether it is our liberties or whether it is our banking institutions. As

I have said before, the failure of Government to use the law as it is, the failure of its officials to exercise caution and to take the steps envisaged in the previous legislation, are being used as arguments for getting more and more power in the hands of the very same people who have been found incapable, if not incompetent, of using the law as it exists. Was not the Mundhra deal hatched in the office of the Governor of the Reserve Bank? And this Reserve Bank is going to exercise control over all these banking institutions in this manner. And what happened to him? He went on a bigger job. This is the socialistic pattern of society that this country is supposed to look forward to. Will not the opposite benches stop misleading the country, by these measures one after another? I hope at least the people outside will now realise that what we have been telling them for the last five years is coming about to be true. Once again I must utter a word of warning to some people who have constructive ideas and constructive thoughts on the opposite benches also. Remember the old fable of the forest and how it was felled. Tall trees were being felled, and one of the trees said, "What shall we do about this?" The wise old tree said, "The trees can only be felled if one of us acts as a handle to the axe." Let those people who believe in sound business principles think about them, look at what people—amongst them—say in the Congress Party office, say at the meetings of the commercial institutions, whether it is the Indian Merchants Chamber or whether it is the Federation, say, for the little petty gains—may be very much in terms of money—how they manage to get the favour of the Congress Party and don't bother about how much damage it does to the economy of the country.

Sir, this country used to pride itself on the manner in which its credit and banking used to function; no stamp, just a word, perhaps a small writing, used to be honoured in this country,

not only inside the country, but in countries overseas. That was the type of merchants that we had here, that history records. How is it that it has become necessary to go on tightening these laws, to regiment them and virtually for Government to take over control of all banks, without calling it nationalisation of banks. It is in keeping with the policy that the Government has been following of late—about which I have not been able to convince many reasonable friends so far—that we are heading towards a totalitarian communist regime that my friend, Mr Bhupesh Gupta and his friends want to establish in this country, and they are happy about it, while the friends opposite go on denying it, but they don't see the writing on the wall as to what exactly they are led into doing. What is this if not nationalisation of banks? Your officer is going to exercise control—he may do any thing—not only with banks, but all financial institutions. I am afraid I have not completely followed the little clarification that the Minister made in his speech about accepting some verbal amendment there, and I do not know whether this has really effected any change.

SHRI B. R. BHAGAT: I did not say "verbal amendment".

SHRI C. D. PANDE (Uttar Pradesh): Firms up to one lakh of rupees of capital will be exempt from this law.

SHRI DAHYABHAI V PATEL: I do not know how far that goes to help because, under the present circumstances, what is one lakh of rupees? This country is suffering from several handicaps. The difficulty of people, of institutions, of commercial institutions—apart from the losses that the Government is making—is heightened by the inflation that Government has caused, whereby money has lost its value. Therefore what is the exemption of one lakh of rupees and what can you do in one lakh of rupees?

[Shri Dahyabhai V. Patel.]

I believe the existing powers are sufficiently wide. These powers are too drastic, too vast, and unfettered authority is being given to the Reserve Bank. Have the existing powers of inspection, supervision and control as well as of the appointing of observers to observe the running of banks been sufficiently utilised? The Minister has not made out a case that these powers were utilised and were not enough and therefore he is asking for more powers. Therefore the case itself is weak except if it be—as I say—that he wants to introduce nationalisation of banks by the back door. Credit institutions would be completely thrown out of gear if any of the drastic powers, particularly under clauses 9, 13, 18, etc., are brought into play. All banks, on the slightest pretext or excuse, would be thrown at the absolute mercy of the Reserve Bank, and it is fundamentally incorrect and injurious to the economic structure of the land to divest law courts of all rights regarding safeguarding the interest of corporations as well as of individuals. These are the fundamental objections to the measure.

Then there are many clauses in it which need consideration. Let me refer to clause 11. Many of the sound companies, whose Chairmen may be common occasionally, borrow monies from banking companies. This is a common practice observed to tide over difficulties by banks. Perhaps a certain bank has to finance a certain transaction or, in a certain season, needs more money to finance a type of business, which it takes from another bank, and there is a sort of mutual co-operation and help between them. This fruitful avenue of lending will be checked and thereby banking business will be impeded. If one solitary bad instance of this type has occurred, there is no need for such amendments. Other powers already in existence will be able to check such evil, if at all there is any such evil. Now look at clause 12. Quite often in order to

avoid unnecessary and costly litigations, arrangements or compromises are made by banks with public limited companies which may have common directors. There is no valid excuse for preventing such compromises which may have the support of the board of a bank.

In clause 13 vague words like "public interest" need to be specified and defined also. The words "other relevant particulars" should be explicitly made known. When we are making a law, the Government should at least make this clear and they should be specific in their wording. Such vague and loose phraseology is not the correct form of legislation, particularly when it is concerning business.

Look at clause 17. Adding words "or employee" will lead to dual control and vest unnecessary authority and interference which may smell of nepotism as also political harassment occasionally. Sir, have we not heard of Union employees carrying away papers, creating a lot of difficulties for institutions? Have we not heard of cases of employees taking away correspondence, records and black-mailing their employers on these accounts? Is it the intention of the Government to encourage such people?

Look at clause 36AA. It is very difficult to understand how public interest can be safeguarded through this authority. It is relevant to point out that such an interference would be against the basic concept of a public corporation functioning within its own legitimate bounds.

Coming to clause 36AA(2), the proviso is a contradiction of sub-clause (2) and appears unprecedented. This whole clause 36AA is somewhat of a nature which would create a special class of directors enjoying all privileges, including the right to spy and interfere unnecessarily and even presume to be super-directors. Their responsibilities, qualifications, liabili-

ties and functions ought to be more clearly defined. Even where an observer has been put as prescribed under the present law, his functions and responsibilities are defined more closely. Ensuring equality with directors who have to face the shareholders from time to time and who depend on the goodwill as well as the solid duty performed in the interest of all parties concerned with banks and banking would be unfair. This new set-up of directors could almost be called "stakeless representatives" which is something unusual and unwarranted. Having the right for appointing five such stakeless representatives would make functioning impossible. This right could be used and is in vogue only in totalitarian countries and would act against the basic principle of democracy as well as the right to own private property. It vitiates the basic concept ensured under our Constitution. But, as I said, during the whole of the last week we are seeing measures one after another which are taking us headlong to communism and here is one more.

The stakeless representatives appear to be responsible to none, owing allegiance only to Government and ensured of perpetuity of appointment subject to the whims and vicissitudes of the political party in power, to whose tunes these stakeless representatives would dance. It is well known how defeated political candidates and others could be ensured such positions. We have known of defeated candidates being foisted on to many places under the Congress regime whether it is Vice-Chancellors of universities or chairmen of big corporations. Is it the idea of the Government to provide one more berth for their defeated candidates? Perhaps Deputy Ministers would take control of them by such power. At least to show Government's *bona fides*, such representatives should not be remunerated on the same basis as the other directors out of shareholders' and depositors' funds, but should be regarded as employees of the State. Historically it

is well known how even the so-called elected representatives of the policy-holders in the old Life Insurance Companies became nominees of political parties and utilised their authority not in the larger interests of either the stock-holders or the policyholders. They were nominated because they had political pull, not as in the case of the old life insurance companies where they were really elected representatives of the policy-holders. Their contribution to the progress and prosperity of the institutions is also a historical fact and if it is intended that such and similar role will be played through these vast powers, it is better that an honest State comes out straightforwardly and explains its ultimate objective of appointing these officers who are more or less its nominees and for their continuance in office over a period of years. The Constitution even protects certain high officials like the Auditor-General of India, Advocate General of India from being tools of politicians and political parties.

Hence, it is all the more important that in the interest of private property and corporations if they are to be continued in India, such vast powers to semi-Government institutions should not be given.

Mr. Vice-Chairman, in this very House questions have been asked about the doings of the Bank of China. This Government has tried to avoid the issue repeatedly. A Minister in the West Bengal Government, a responsible person makes statements. They are refuted, denied in this House, and this Government is asking for more power whether it is under the Defence of India Rules, whether it is under the Preventive Detention Act or a simple measure like the Banking Companies Act. How can any thinking person agree to give such powers when this Government has failed to use the powers that exist properly and in the interest of the State leave alone the banking com-

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panies or the institutions that this Government professes to protect? Have we not heard of what happened, how money came out of the Bank of China episode? Where did this Government go, what did they do and what were the people in the Reserve Bank doing all this time when all this was going on? If it is the intention of this Government to make us a Communist State, the easiest thing would be to scrap the Constitution; put Mr. Jawaharlal Nehru and Mr. Krishna Menon in charge of the whole country if that is the idea. Why go on misleading people in this manner? (Interruptions) Yes, they are.

SHRI C. D. PANDE: No, no, they are not.

SHRI N. M. LINGAM (Madras): Why not you yourself?

SHRI DAHYABHAI V. PATEL: When the time comes, they will be confronted by Mr. Bhupesh Gupta.

SOME HON. MEMBERS: No, no.

SHRI DAHYABHAI V. PATEL: You are making it convenient for them. You allowed them to stage a demonstration, I think it was last September. They have shown you how law and order would cease to exist when they hold a rally here. Then, you have given them the instrument of the preventive detention. Therefore you are giving them the instrument of these powers so that it will be the easiest thing for them to take over and capture all power, whether it is political power, financial power, etc., to establish a totalitarian regime, whether you like to call it Communism or otherwise. This Government is preparing the ground by all the measures that have been taken particularly during the last week. Do the Members of the Congress Party want that to be done?

SOME HON. MEMBERS: No.

SHRI DAHYABHAI V. PATEL: If you are not, then wake up, do not act like the piece of wood that comes from the tree in the forest and acts as the handle for the axe that cuts down the forest. That is what I say, with due respect, that many Members in the business community and the Congress Party are today doing. Therefore I oppose this measure.

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): I have a very large number of speakers before me. So I would request hon. Members to be brief and to limit their remarks to ten minutes.

SHRI N. M. LINGAM: Mr. Vice-Chairman, Sir, it is unfortunate that the hon. friend who preceded me has imported political considerations into this purely economic question. I do not propose to rebut him on the stand he has taken on political grounds but he began criticising the Bill on the ground that the provisions were sweeping and draconian and that it was paving the way for a totalitarian economy, if not a totalitarian State. I would only humbly invite my friend's attention to the leading article in the "Financial Times" of yesterday which is the mouth-piece of big business in the country where it wholeheartedly welcomes the provisions of this measure. It is, if anything, more representative of the interests directly concerned with the banks and when these interests are thankful to the Finance Minister for having brought in such a measure, I do not think that the bogies raised by the hon. friend need serious consideration. The question is very simple. As the mover put it, we have to consider whether the time has come for regulating the functioning of commercial banks in a manner which will conduce to the welfare of the State and the Bill is an attempt on the part of the Government to take powers to regulate the working of these banks. If I may do so, I would say that the promptings of the Government are not merely the need to regulate the functioning of these banks towards

defined objectives but also their experience of the working of commercial banks in the last few years since the original Act was passed, when a large number of depositors also were hit hard by the failure of banks.

[THE VICE-CHAIRMAN (SHRI M. GOVINDA REDDY) in the Chair.]

So the Government came with the Deposit Insurance Act but that did not solve the problem completely. The Government wanted powers to prevent the abuse of their position by the directors of the banks. So it was probably the experience of the working of these institutions, namely, the commercial banks in the country, that prompted the Government to bring forward this measure; and these provisions in the Bill are good as far as they go. But the point is, whether they go sufficiently far. Objection has been taken, for instance by the hon. Member opposite, to curbs on loans being given to directors. I would ask the House to realise that the amount of loans given by the banks to their directors in 1955 amounted to Rs. 67.43 crores and in 1962 it amounted to Rs. 197.43 crores. By all accounts these are very large sums and unless the Government empowers the Reserve Bank to have control over these transactions, we will be heading towards economic disaster. The advances made to companies by these banking institutions during 1961 amounted to Rs. 58.26 crores. So huge advances are being made to companies in which the directors are interested or to directors directly. In other words large sums of the shareholders' money and deposits are being directed to the benefit of companies in which a small number of directors are directly or indirectly interested. This measure seeks to regulate these advances. It is disappointing that it does not seek to break the concentration of economic power which the Finance Minister promised while speaking on the nationalisation of commercial banks

in the Lok Sabha in September 1963. He said then:

"The banking laws would be amended to the extent necessary for reducing the concentration of economic power or the control of banks by business houses and groups for undesirable purposes."

I would like to ask the Minister for Economic Co-ordination how these provisions enabled the reduction of concentration of economic power. It is true that they seek to regulate by controlling the operations of commercial banks. They do not by any stretch of imagination, seek to reduce the monopoly of economic power of these banking institutions.

3 P.M. The hon. Minister also referred to the large amount of unaccounted money and also to the existence of non-banking institutions receiving deposits. It is true that the Bill seeks to empower the Reserve Bank to regulate this state of affairs by imposing conditions and by giving directives to these non-banking institutions, regarding the receipt of deposits. But the objective seems to be only to enable the Government to determine the monetary and credit policy more precisely for the country, because this is a sector about which the Government at present is completely in the dark. The non-banking institutions will only be directed by the measure before us. The Government does not seek to prohibit the receipt of deposits by them. It is only concerned about the high rate of interest for these deposits and the unknown quantity which goes into these channels. It does not seek to protect these deposits. I would like to ask the hon. Minister why the Government does not avail of the opportunity provided by this Bill to seek to protect the interests of the depositors also, unless it be the intention of the Government to prohibit the receipt of deposits by this non-banking sector completely. I would also like to know from the hon. Minister how this

[Shri N. M. Lingam.]  
measure would enable the Government to tap the unaccounted money to which he referred.

SHRI C. D. PANDE: This is only one measure. They will have others.

SHRI N. M. LINGAM: What are those other measures? What are the other measures that the Government is envisaging? When are they going to bring forward those measures before the House? To me, from a scrutiny of the provisions of this Bill it is clear that the Government is only just feeling its way to have a clear grasp of the forces in the economic field in the country. They do not have any idea of the unaccounted money that they seek to direct towards economic development. How can they do that when they do not know what precisely is this amount and how it functions?

SHRI N. M. ANWAR (Madras): Would you suggest a commission for that?

SHRI N. M. LINGAM: That is not my purpose now. Their intention seems to be to direct the deposits in these commercial banks along desired channels, namely, to increase the rate of economic growth, by diverting them along channels which accord with the scheme of priorities envisaged in the Plan. How this Bill will achieve that purpose, I do not know and I would be happy and the House would be grateful if the hon. Minister will consider these things and tell us how this measure will enable the Government to divert these resources, these deposits in these banks, along channels which they consider necessary. Sir, in the past, it has been our experience that the investments in these companies and banking concerns were not looked into carefully by the Government, with the result that during the Plan period, these investments were made on a number of unimportant ventures, like the production of rayons, refrigerators and in stock exchanges and so on. Thus

the investments by these companies did not conduce to productivity in the country in essential fields. Therefore, looked at from all these angles, from the angle of diversion of the investments along desirable channels, or for bringing economic development, or for tapping the unaccounted money, I for one, am not able to see any definite indication that these provisions are going to achieve the objectives proclaimed by the Government. The result is that I do not see and I do not appreciate fully the philosophy behind this measure, the philosophy that is sought to be hampered by the measures introduced in this session, along with the Unit Trust Bill, The Companies Bill, for putting our economy in better shape.

As regards the provisions themselves, as I said at the outset, nobody can take exception to them. There is power for removal of the Director, given to the Reserve Bank. And the Reserve Bank has power to appoint its own people also. These things are the result of the experience gained by the failure of some of the commercial banks and the dealings that the Reserve Bank has had with them. Because the Reserve Bank could not appoint these Directors and the matter got involved in courts of law and so these things are consequential to the court verdicts and other developments that arose as a result of the bank failures. I would only urge upon the Government to be more precise in its thinking, to make its economic philosophy more clear. If it is intended to stop short of nationalisation, then it is neither here nor there and in the present set-up of our country these institutions are essentially within the capital structure and for ensuring that the resources are put to the best advantage, you have to alter the whole structure. So I think, the intention seems to be to go as far as it is possible to go in the present set-up. But I am not able to believe that the Government is acting with vision or clarity on this question. As for the measure itself, it is a simple one

and I have no serious objection to it.

Thank you.

SHRI G. S. PATHAK (Uttar Pradesh): Mr. Vice-Chairman, I support this Bill and it appears to me that this Bill marks a further advance in the progressive control of the banks by the Government and by the Reserve Bank on behalf of the Government. Banking companies are prohibited from making insecure loans to directors or to concerns in which the directors are interested, and power is given to the Reserve Bank to remove the directors and to remove even the employees, and to appoint employees or directors in their place. The Reserve Bank has also got power to appoint additional directors and the voting power which was reduced to prevent concentration of power in the hands of those who had a large number of shares and which was curtailed to 5 per cent. in the Banking Companies Act, has now been reduced to 1 per cent. Therefore, those who have large shareholdings cannot now enjoy power in accordance with the amount of their shareholding. Whatever their shareholding may be, one per cent. of the total shares is the power of voting that belongs to them. I welcome, Sir, all these provisions in the interests of control of economic power.

Now, Sir, I want a little clarification from the hon. Minister on one point, clause 7 of the Bill on page, 7. Clause 7 (1) says:

"(1) No company other than a banking company shall use as part of its name any of the words 'bank', 'banker' or 'banking' and no company shall carry on the business of banking in India unless it uses as part of its name at least one of such words."

Now, the doubt that arises in my mind is with regard to sub-clause (2) which says:

"(2) No firm, individual or group of individuals shall, for the purpose

of carrying on any business, use as part of its or his name any of the words 'bank', 'banking' or 'banking company'."

Can an individual or a firm or group of individual use the word 'banker' if the idea is to carry on the business of banking? I am assuming that it is not the object of this Bill to prevent banking as an industry or an activity if it is engaged in by a firm, individual or group of individuals. If an individual wants to carry on his business and describes himself as a 'banker', as the clause reads he is entitled to do so but he cannot use the word 'bank' or 'banking' or 'banking company'. I want a little clarification on this question.

SHRI B. R. BHAGAT: That is true; individuals can carry on.

SHRI G. S. PATHAK: But can the firm call itself 'bankers'?

SHRI N. M. LINGAM: He will be able to comment in the end.

SHRI G. S. PATHAK: I am just clarifying my question. A firm cannot call itself a 'bank', or a 'banking company' but can call itself a 'banker'.

SHRI C. D. PANDE: He wants you to clarify rather himself doing it.

SHRI G. S. PATHAK: Can a firm, individual or group of individuals call themselves banks? I want little clarification on this.

Sir, it is also gratifying that control for the first time shall be exercised on non-banking institutions regarding deposits and other financial institutions. Sir, these are very important provisions and they serve many purposes and they also serve the purpose of preventing concentration of wealth if wealth can be increased by the use of voting power; otherwise, wealth is shareholding. If you want to acquire shareholding, then you have got to acquire it in the same way

[Shri G. S. Pathak.]

as you can acquire any other form of wealth but shareholding can only secure to its shareholder the power of voting and, therefore, power of control. Sir, this banking question is a very complex one and when we are considering the question of banking or control or nationalisation then we have got to take into consideration various aspects and I submit that if further control is intended or if there is any nationalisation contemplated in any shape or form, it would be better for the Government to appoint a committee, consider the various aspects and then proceed. Today it is not possible for any nation to live in isolation. Whatever we do here has got its repercussions, produces its effect on the economy of the country, because all the developing countries in the world today are tied up with other countries economically in some shape or form. There is a further aspect to be considered and that is this: If you want to exercise control or to nationalise, then you have got to consider whether you will nationalise a few big companies or small companies and private bankers also? In the country at the present moment, there are many private individuals, e.g., the Chettiars in Madras. If you do it piecemeal, then we have got to take that factor into consideration in considerable detail. We have also got to take into consideration the question of the effect on foreign banks. There are here French Banks, Japanese Banks and there is also the question of international goodwill and the effect on our economy in general. Therefore, Sir, I am not opposing nationalisation in case nationalisation is in the public interest, is in the interests of the nation and is done in a manner which is not harmful to individual interests also. Of course, individual's interests have to be sacrificed if the national interest demands it but the point is that this is a complex problem. Its effects on various aspects of national life have to be taken into consideration and before we launch on further steps in this direction, in my submis-

sion, there should be a thorough probing into this matter.

**श्रीबिमलकुमार मन्नालालजी चौरड़िया**  
(मध्य प्रदेश) : उपसभाध्यक्ष महोदय, जो यह बैंकिंग लाज (मिसलेनियस प्राविजन्स) बिल आया है उसके संबंध में यह निवेदन है कि यह निर्विवाद है कि हमारे देश में कई ऐसे इंडस्ट्रियल्स हैं, कई ऐसे फर्म्स हैं जो बहुत कम ब्याज पर रुपया जमा करते हैं और बहुत ज्यादा ब्याज पर रुपया देते हैं और समाज में उसके कारण बहुत अव्यवस्था भी होती है। ऐसे उदाहरण कई देखने में आते हैं और हमारे दिल्ली शहर में ही कई फाइनेन्शियल कारपोरेशन्स और फाइनेन्सिंग कम्पनीज हैं जो हायर-परचेज पर मोटरें देती हैं और ब्याज इतना ज्यादा होता है कि मोटर वालों की अच्छी आमदनी होने पर भी बेचारों की मोटर खीच खांच कर फाइनेन्शियर्स ले आते हैं। बहुत लोग ऐसे भी हैं जो ईमानदारी से काम करते हैं, कम इन्टरेस्ट लेते हैं और समाज की अच्छी व्यवस्था करते हैं।

**डा० गोपाल सिंह** (नाम निर्देशित) : वे कहां हैं ?

**श्रीबिमलकुमार मन्नालालजी चौरड़िया** : पंजाब में। माननीय सदस्य ने जानना चाहा कि कहाँ हैं। देखने के लिये आंखें चाहियें और मेरा खयाल है कि अगर थोड़े से मिनट उस क्षेत्र में जायेंगे, तो देखेंगे कि कई ऐसे लोग हैं कि जो ईमानदारी से काम करते हैं और कई ऐसे लोग भी हैं जो बेईमानी से काम करते हैं, बहुत ज्यादा परेशान करते हैं, "फ्लीस" करते हैं जैसा कि अंग्रेजी में शब्द है। तो यह अत्यावश्यक था कि हमारी इस व्यवस्था पर नियंत्रण हो और नियंत्रण की दृष्टि से कुछ प्रतिबंध उन पर लगे। वह तो ठीक है ही। मगर यह प्रतिबंध बढ़ते बढ़ते हमारे समाज में जो छोटे साहूकार के रूप में यह बैंकिंग सिस्टम एक आवश्यक अंग हो गया है उसको समाप्त करने की दिशा में

न चला जाये, उसका भी हम को ध्यान रखना अत्यन्त आवश्यक है ।

अब इस बिल में चाहा यह है कि जो कम्पनियां होंगी उनके अकाउन्ट्स मंगा सकेंगे—इन्स्टीट्यूशन्स के अकाउन्ट्स मंगा सकेंगे और वे किस रेट पर वहां रकम जमा रखते हैं, जमा की हुई रकम पर क्या व्याज वसूल करते हैं, इत्यादि । हायर परचेज पर फाइनेन्शियर लोग मोटरों को देते हैं, इसके अलावा एक उदाहरण मैं आपको और बताऊं कि राजस्थान में एक कड़का कम्पनी थी जो पंजाब की थी, तो उस कड़का कम्पनी ने लोगों को यह आकर्षण दिया कि आप दस रुपये जमा करिये और आपको मस्ती दर पर रकम उधार दी जायेगी, कम व्याज लिया जायेगा । तो मेरे पास से लगे गरोड तहसील में कई लोगों ने दस दस रुपये देकर, इस आश्रय से कि दस रुपये देने पर एक हजार रुपये मिल जायेगे, ऐसा सोचा कि मौके का लाभ उठा लें । तो उन फाइनेन्शियर्स ने एक ऐसा जादू का डंडा धुमाया लोग का कि जैसे हमारे यहां कहा जाता है कि लोभी के आगे धूर्त लोग भुंखे नहीं मरते, जब तक संसार में लोभी मौजूद हैं तब तक धूर्तों का व्यवसाय चलता रहेगा और इस तरह से इन धूर्तों ने धूर्तता करके लोगों को बताया कि आप दस रुपये दीजिये और एक हजार, दो हजार जितना चाहोगे मिल जायेगा मौज से, और कम व्याज पर मिल जायेगा । दो उस चक्कर में कई ग्रामीण लोग आ गये । माननीय लाल बहादुर शास्त्री जी उस समय होम मिनिस्टर थे, मैंने उनको चिट्ठी भी लिखी, उसके साथ साथ रिकार्ड वगैरह भेजा जो अखबार में उसके बारे में छपा था । मगर दुख यह होता है कि हमारे कानूनों में व्यवस्था होने के बाद भी, जो उसको इम्प्लीमेंट करने वाले हैं उनका हाथ कुछ उनसे मिल जाता है और उसके परिणामस्वरूप जो ऐसे समाज को खत्म करने वाले और धूर्तता करने वाले लोग हैं, उनका कुछ तो नती पाता ।

इस कड़का कम्पनी के बारे में कोटा में रिपोर्ट हुई, मध्य प्रदेश में रिपोर्ट हुई, दिल्ली सरकार को लिखा गया मगर वहां से कोई जवाब नहीं आया। तो नीचे लेवल के लोग उनसे मिल मिला कर, उनको कुछ रुपया मिल जाता है और उस में कुछ हिस्सा दे कर वे अपनी पोल पट्टी चलाना चाहते हैं और ऐसा चल रहा है । हमारे माननीय मंत्री जी बड़े प्रेम से, बड़ी अच्छी, हृदय में, भावना ले कर आने हैं कि यह कानून बनायेंगे तो उस से यह ठीक हो जायेगा लेकिन जिन को कानून दे रहे हैं उन की यह दुर्दशा है । जैसाकि हमारे होम मिनिस्टर साहब अवसर कहा करते हैं “टू अर इज ह्यूमन” तो “अर” की यात्रा इतनी बढ़ गई है कि उस में गलती करने की कोई सीमा नहीं है और इस वजह से यह अत्यन्त आवश्यक है कि हम इन कानूनों का निर्माण करने के साथ साथ यह भी देखे कि उनको इम्प्लीमेंट करने की जो एजेन्सी है वह ठीक तरह से काम करती है अथवा नहीं । जैसा कि मैंने कड़का कम्पनी का उदाहरण बताया कि राजस्थान सरकार ने भी, सब ने, पुलिस ने उनकी जमानत ली और वह एक दम गायब हो गये और न जाने क्या मामला हो गया । जैसे कहा जाता है “जर दीदम फौलाद नरम” । जहां पर पैसा मिल जाता है वहां पर फौलाद सरीखी चीज भी पिघल जाती है । हमारे सरकारी कर्मचारियों का दिल नाजुक होता है और पैसे के सामने वे, टिक नहीं सकते हैं और यह जो हमारा नियंत्रण है वह नियंत्रण न जाने कहां काफूर हो जाता है ।

**डा० गोपाल सिंह :** पैसे वाले लोग ही बात कर सकते हैं । वही पैसे के बल से भ्रष्टाचार फैलाते हैं ।

**श्री बिमलकुमार मन्नालालजी चौरङ्गिया :** आप को इस का अनुभव ज्यादा होगा । इसलिये आपने कितना किया, किस ने कितना किया, इस बात को छोड़ दीजिये । मैं इस के डिटेल् में नहीं जाना चाहता हूं । जो करवाते हैं वे भी सजा के पात्र हैं, जो कर रहे हैं वे भी सजा के पात्र हैं,

[श्री विमलकुमार मन्नालालजी चौरडिया] जो सहन करते हैं, जो सत्ताधारी हैं, जिन की आंखों के सामने यह चीज होती है, वे और भी ज्यादा सजा के पात्र हैं। तो इस दृष्टि से मैं यह निवेदन करना चाहता हूँ कि जो रिश्तत तथा भ्रष्टाचार के नये नये तरीके चल रहे हैं, जैसाकि मैंने एक रोज कहा था कि लोग "कीर्तन" करवाने को कहते हैं और गांधी जी की फोटो सामने रख देते हैं। और लोगों से कहते हैं कि हमें तो कुछ नहीं चाहिये, आप गांधी जी के नाम में चढ़ा दीजिये। इस तरह से कई तरीके शुरू हो गये हैं जिन को आप भी जानते हैं और मैं भी जानता हूँ। जब तक हम इस चीज की जड़ को ठीक नहीं करते तब तक हम नियंत्रण के बारे में कुछ कर सकेंगे, मुझे सम्भव नहीं लगता है। इस दृष्टि से मैं माननीय मंत्री जी से प्रार्थना करूंगा कि वे यह बात करें।

अब नियंत्रण का दूसरा आस्पेक्ट यह है कि एक नियंत्रण इस दृष्टि से किया जाता है कि ज्यादा ब्याज नहीं लिया जायेगा और जो थोड़ा मार्जिन है उसमें बिजनेस करें। अगर परसनल सिक्योरिटी हो तो अमुक मात्रा में ब्याज लिया जाये और गहने पर अमुक मात्रा में ब्याज लिया जाये। अगर हम इस बारे में कोई सीमा बांध दे तो ठीक है। मगर ऐसा लगता है कि हमारी सरकार प्राइवेट इन्स्टीट्यूशनों को खत्म करना चाहती है। वह इस तरह से कि अगर कोई प्राइवेट बैंक में रुपया जमा करता है प्राइवेट बैंक पर प्रतिबन्ध लगा देते हैं और उस डिपॉजिटर से कहा जाता है कि हम तुम को ६ रुपया सैकड़ा ब्याज देंगे, तुम हमारे बैंक में रुपया जमा करो। इस तरह से आदमी आकर्षित होगा और वह सरकारी बैंक में रुपया जमा करेगा। अगर कोई आदमी प्राइवेट बैंक में रुपया जमा करता है तो आप इस तरह का प्रतिबन्ध लगा देंगे कि मेरे सिवाय कोई भी बैंक वाला ४ परसेंट या ६ परसेंट से ज्यादा ब्याज नहीं

देगा और जो ऐसा करेगा उस के खिलाफ कानूनी कार्यवाही की जायेगी। जिस तरह से आपने युनिट ट्रस्ट द्वारा जो बड़े बड़े शेयर होल्डर्स और बड़ी बड़ी कम्पनियां रुपया इन्वेस्ट करती है, उन पर रोक लगा दी है और उन का रुपया खींच लिया है, उसी तरह से आप बैंकों का रुपया खींच कर सेन्ट्रलाइज करना चाहते हैं। जिस तरह से आप कम्पनी ला में संशोधन कर के इस तरह की व्यवस्था कर रहे हैं उसी तरह से आप बैंकिंग लाज में संशोधन कर के हमारे देश में जो भिन्न भिन्न बैंक्स हैं जिन में जनता का रुपया जमा है उस को लेना चाहते हैं। इन बैंकों में हमारे निवासियों को ज्यादा ब्याज मिलता है, उस को समाप्त कर के आप उन पर प्रतिबन्ध लगा रहे हैं। हमारी सरकार स्टेट बैंक और रिजर्व बैंक के बारे में यह कर सकती है कि वे इतना परसेंट तक ब्याज दे सकते हैं और बाकी बैंकों के ऊपर आप इस तरह का प्रतिबन्ध लगाने जा रहे हैं कि वे इतने परसेंट से ज्यादा ब्याज नहीं ले सकेंगे। आप इस तरह का प्रतिबन्ध लगा कर अप्रत्यक्ष रूप से प्राइवेट बैंकों को खत्म करने की नीति पर चल रहे हैं, यह कोई न्याय संगत बात मालूम नहीं देती है। इसके लिये यह होना चाहिये कि सरकार का इस बारे में जो लक्ष्य है वह स्पष्ट हो जाना चाहिये। मैं इस बारे में सरकार की स्पष्ट नीति चाहता हूँ कि बैंक वाले कितना रेट आफ इन्टरेस्ट लें या कितना क्या करें। हमारी सरकार की इस बारे में स्पष्ट नीति होनी चाहिये कि किस डिरेजिटर को कितना रेट आफ इन्टरेस्ट दिया जाना चाहिये और किस कर्ज वाले से कितना रेट आफ इन्टरेस्ट लिया जाना चाहिये। इस बात का अच्छी तरह से माननीय मंत्री जी की ओर से स्पष्टीकरण होना चाहिये। लेकिन हमारी सरकार का दिमाग इस बारे में क्लीयर नहीं है। अगर आप प्राइवेट सेक्टर को खत्म करना चाहते हैं तो इस तरह का कानून बना दिया जाना चाहिये ताकि इस बारे में किसी को कोई भ्रम न रहे। हमारे

श्री टी० टी० कृष्णमाचारी साहब बड़े बुद्धिमान हैं, वे स्लो पौजनिंग पर विश्वास करते हैं। उन्होंने पहले जीवन बीमा कम्पनियों का राष्ट्रीयकरण किया अब जनरल इन्श्योरेंस को समाप्त करने की योजना बना ली है। राष्ट्रीयकरण करने की बात की घोषणा कर दी जाये और जनरल इन्श्योरेंस कम्पनीज को एक दम ले लिया जायेगा तो सारे देश में एक बाबेला मच जायेगा। उन्होंने इस बात की इजाजत दे दी कि सरकारी कम्पनियां भी इन्श्योरेंस करेंगी और इन्वेस्ट कम्पनियां भी इन्श्योरेंस का काम करेंगी। लेकिन सरकार द्वारा जो इन्श्योरेंस का काम होगा उसमें जनता को गहना मिलेगी, कुछ लाभ, होगा हमारी सत्ता के कारण। इस तरह का कम्पटीशन खड़ा कर के दूसरी प्राइवेट कम्पनियों को इनडायरेक्टरी समाप्त करने की योजना है। उसी तरह से वे युनिट स्ट द्वारा कर रहे हैं और अब उसी तरह की बात बैंकों के लिए इस कानून द्वारा की जा रही है। वे जनता को कर्ज देने के लिए क्षम्य नहीं हैं लेकिन प्राइवेट बैंकों को समाप्त करने के लिए तैयार हैं। मैं पहले ही निवेदन कर चुका हूं कि कोऑपरेटिव सॉस इटियां बहुत जगह देश में कायम की गयी हैं। आप एक एक क्षेत्र को ले लीजिये, एक एक युनिट को ले लीजिये, वहां बैंकों का, प्राइवेट बैंकों का जितना कर्ज है, उन को बिठा कर, हमारे जो कर्ज समझौता बोर्ड हैं उन को बिठा कर अन्तिम रूप से तय कर दीजिये। फिर कह दीजिये कि अगर कोई यहां पर कर्ज देने का व्यवसाय करेगा तो उस की रकम का भुगतान नहीं होगा, वह कंस्ट में नहीं जा सकेगा। जब तक आप ऐसा नहीं करेंगे तब तक (Time bell rings.) क्या इस बिल में भी टाइम का कोई बन्धन है ?

THE VICE-CHAIRMAN (SHRI M. GOVINDA REDDY): Two hours are allotted to this Bill. You have already taken ten minutes.

श्री दिमलकुमार मन्नालालजी चौर-  
ड़िया : तीन मिनट और लूंगा।

THE VICE-CHAIRMAN (SHRI M. GOVINDA REDDY): No, no. The earlier the better.

श्री दिमलकुमार मन्नालालजी  
चौरड़िया : इस तरह से यह प्रतिबन्ध लगाना आवश्यक है।

दूसरी बात मैं धारा ७ के बारे में निवेदन करना चाहता हूं कि इस में यह लिखा है कि कोई भी अन्य आदमी बैंकर या कमीशन एजेंट शब्दों का प्रयोग नहीं कर सकता है। हमारे देश में बहुत से लोग ऐसे हैं जो बैंकिंग एवं कमीशन एजेंट का नाम लिख कर और अपने पैड्स छपा रखते हैं। आप का यह कानून बन जाने के बाद उन का ऐसा करना गैर-कानूनी हो जायेगा। इसलिये जनता के हित की दृष्टि से यह अत्यन्त आवश्यक है कि सरकार इस चीज का व्यापक रूप से प्रचार करे। वह गजट और नोटिफिकेशन द्वारा तो प्रचार करेगी ही मगर वह व्यापक रूप से स तरह का प्रचार करे कि अगर कोई आदमी इस तरह के शब्दों का प्रयोग करेगी, या अपने फार्मों में ये शब्द छपायेगा तो अमुक अमुक धारा के अन्तर्गत यह कार्यवाही गैर-कानूनी होगी। हमारे क्षेत्र में कई गरीब लोग हैं जो रकम लेन-देन का काम करते हैं, कमीशन एजेंट का काम करते हैं और आप को इस तरह के लोग गनी गनी में मिलेंगे। अगर आप व्यापक रूप से इस तरह का प्रचार करेंगे तो वे इस तरह की गलती करने से सावधान हो जायेंगे। वॉटिंग पावर्स के बारे में भी कुछ ऐसा लगता है कि हमारी सरकार घबरा जाती है। इसी सखी करने की आवश्यकता नहीं है और इस का ठीक उपयोग लिया जाये यही प्रार्थना है।

SHRI AKBAR ALI KHAN (Andhra Pradesh): Sir, I am sorry I could not hear the opening speech of the Minister and other speakers, as I was

[Shri Akbar Ali Khan.]  
not here. If I repeat, I hope you will pardon me. I look at this measure which has been brought forward by the Finance Minister mainly from one point of view, namely, whether in our economic system at present banks and companies which deal with financial matters are proceeding on right lines. When I say right lines I mean for the welfare of the people and for the objectives which are before this country. If they are doing it, then no measure is necessary. If we find that there is something lacking, then some measure is necessary. I also want to say that so far as I and my Party are concerned we do not go merely by ideology. We do not want to do a thing because a certain ideology demands it. We consider the whole affair. We consider it in detail. Keeping in view our big commitments under democratic socialism, we would like to see whether a measure is needed or not needed and whether it meets the financial and other requirements of the country.

The third thing that I would respectfully submit is that if we consider nationalisation of banks is necessary and is for the good of the country—we have already discussed it in this House and in the other House—we will certainly introduce it. But we will not do it just for the sake of ideology. That is the point that we have to bear in mind always. At present there is a lacuna, loophole, which gives facilities for the financing of objects and measures which are not wholly and solely in the interests of the country. We have also seen that some laudable objects had suffered for want of finance and some other measures which led to profiteering and blackmarketing were being financed. Having regard to these facts, the present measure to control banks is necessary, in order to see that the deposit is first of all secure. That is the first condition that a depositor wants and it will encourage people to deposit their money. That is the main consideration. As you know, recently even in the United

Kingdom they have brought forward an enactment for the security and safety of the depositors. Having that in mind, it is necessary that the firms or business concerns which do not come strictly at present under the Banking Companies Act should be brought under this, by giving more powers to the Reserve Bank as well as by making more effective provisions in the Banking Companies Act.

Another factor which we all find is the concentration of wealth, as it is said. I feel to a certain extent it is true that the rich are becoming richer and the poor are becoming poorer. That is a very serious problem for us. I know it is said that in America, England or Japan they are doing without nationalisation. I accept that. To a certain extent that is true. At the same time, in an under-developed country, with our huge problems of poverty and the colonial economy from which we had suffered, we cannot wait for long. We have introduced political democracy. People realise that they have got certain rights and equal rights, whether he is the President of the Republic or the Prime Minister of India or the humblest in the land. They have all equal rights. When political right is there, they feel that there is no economic democracy. They find that there are thousands and millions of people who do not have even eight annas per day. It is a very serious question. In order to face that question, in order to grapple with that situation, we have to take all necessary measures, in order that there is no concentration of wealth. There should be security for the depositors and the money should be advanced to good causes, not so much of profit but those which bring facilities and comfort to the people of the country. That is the criterion, I think, that the framers of this Bill have in mind and having that in mind they have introduced this measure. For instance, as the law stands today, it is possible for unsecured loans to be given to the director and people who manage the bank. This Bill says 'No', in no case unsecured loans will

be given to them. It has also been provided that a director, if found acting not in keeping with the policies which are for the good of the country, will be removed after an enquiry, without going into further details. This measure also provides for this. In case we find that some effective steps are to be taken in regard to the management of a bank or in regard to the loans that they advance—to put the maximum and minimum and several other measures—this Bill also contemplates that. It is not nationalisation. At the same time, it goes in the direction in which we want the best utilisation of the money of the country for the good of the country. As I just mentioned, in this we should not be guided by slogans and shibboleths. The main criterion will be, whether we can bring about facilities, in other words, economic democracy in our country as early as possible. For that purpose, of course, control of production and distribution is necessary. Some control is necessary, but ownership and nationalisation is not necessary immediately. I make that distinction. I feel that we are proceeding in the right direction and the Bill that has been introduced by the Finance Minister meets that very urgent and important requirement.

With these words, I welcome this measure and I support the Bill.

**SHRI R. S. KHANDEKAR** (Madhya Pradesh): Mr. Vice-Chairman, I rise to support the Bill. It seeks to amend three Acts of the Government of India. The first is the Reserve Bank of India Act, 1934. The second is the Banking Companies Act, 1949 and the third is the State Bank of India (Subsidiary Banks) Act, 1959. The amendments which are before the House are all very important and they have far-reaching effects.

Before I go to the specific provisions of the Bill, I would like to express my disappointment, as to why the Government is fighting shy of bringing forward a still more comprehensive Bill of far-reaching

importance for the nationalisation of all the banking companies. During the last few days by way of Resolutions and at the time of discussion on the Companies (Amendment) Bill and at other times also in both Houses, there was a good case made out for the nationalisation of banks in the country. The time has come now when we should nationalise all the banks because the Indian banks have failed in their duties, so far as their duties to this country are concerned. We know that in a developed society banks play a very important part, but in an under-developed country like ours there is a tendency for the banking system to accumulate property, to accumulate wealth among themselves. There is ample proof and there are statistics quoted now and then. I will not repeat them. I will only mention that there are only twelve banks which control about 89 per cent. of the total deposits which amount to Rs. 2,300 crores. This is a colossal sum.

**SHRI C. D. PANDE:** Excluding the State Bank.

**SHRI R. S. KHANDEKAR:** Yes, excluding the State Bank. The State Bank has deposits of about Rs. 300 crores. This is a colossal accumulation of wealth by these agencies. The Indian banks have failed as a mobiliser of savings, which is their primary duty. We are now a free nation for a long time and we have given ample opportunity to these private banks to mobilise savings and create capital for the development of this country. But our experience is that they have failed in this task. They refuse to go to such areas where there is no likelihood of profit. I will not be wrong if I say that only 13 per cent. of the national income is with the banking system. That means that they have not been able to collect capital for the development of this country. We have adopted socialism as our goal, and socialism means reduction of disparities between the income groups. But we have found,

[Shri R. S. Khandekar.]

and many hon. Members have also conceded this point, specially the hon. Member who spoke before me, that in this economy the rich have grown richer and the poor have become poorer still. So these banks have failed in their primary duty. There is more concentration of wealth, and the Government have failed in their duty to control the spiralling prices, the profiteering on the part of these banks. So there is necessity now for nationalising all the banks in the country. About 60 lakhs of depositors who have their deposits in these banks do not know how their money is utilised. This money is utilised mainly for individual profit or, shall I say, for their own sake, for their own benefit, because there are many instances where even a small bank pays a very huge amount to its employees, and various sorts of mal-practices are indulged in. I will not be wrong if I submit that not a single private bank is there which is not practising this or that sort of mal-practice or violating this or that sort of law. So there is great need of nationalising all these banks and to break this sort of monopoly which has been created or this sort of rut. There is no dynamism. So from this point of view I welcome this Bill.

Now coming to the Bill, I am not very hopeful whether these measures, although they are drastic and sweeping as the hon. Minister has said in his opening remarks, would be able to achieve this end. My apprehension is that the Reserve Bank or the Government of India have failed in their duty in not controlling these banks. We have seen that only quite recently two banks were liquidated and the lot of the depositors became very much worse. The Palai Central Bank was ultimately taken over by the Reserve Bank. But about the Lakshmi Bank, I know certain depositors have lost their entire life's savings, and the Government could not give them any protection. The directors of that bank after a long time have been arrested, and the case is

going on. I do not want to comment regarding that. But this is only an instance to show that the Government could not fulfil its promise. The poor depositors could not have their money. So I have got my own doubts whether these sweeping powers also will be properly utilised. However, I am not of the opinion that if Government is not making proper use of its powers, more powers should not be given to it. We should ask the Government to use these powers more drastically and more effectively. Therefore, in this sense I welcome this Bill.

Coming to the Bill, I would submit that Chapter IIIB is most important. It gives very wide powers in respect of non-banking companies also. Care has to be taken because Government is now going to control all such banks which advance loans to industry, commerce and agriculture also. Our banking system is not sufficiently developed as yet. There are many small money-lenders who advance loans to the agriculturists. The capital of some of them is more than one lakh. Exception has been made in this law that those firms whose capital does not exceed Rs. 1 lakh will be exempted. But there are many *sahukars*, money-lenders in villages whose business is more than this limit. By this enactment it might so happen that these people would refuse to pay the agriculturists, and ultimately agriculture would suffer. What I want to insist on is that it is the business of the Reserve Bank to see that branches of banks are opened in villages so that agriculturists may get the necessary facilities. By this way only the effectiveness of this Act will be felt. Otherwise there will be a catastrophe and the poor agriculturists will suffer.

Then I come to Chapter III. In clause 9 it is said:

"In section 12 of the principal Act, in sub-section (2), for the words 'in excess of five per cent.', the words 'in excess of one per cent.' shall be substituted."

By this clause there might be a tendency of dispersing the votes. That means those private shareholders who have a large capital may divide among themselves. But Government concerns like the L.I.C. will not be able to do like this. So there may not be any fetter on the tactics of these private shareholders. So care has to be taken to see that they do not misuse this clause.

Now I come to the most important clause, that is clause 12. At least I could not make out anything from it. Sir, you kindly refer to page 9 of this Bill which has been passed by the Lok Sabha and which was very recently distributed to us. Clause 12 reads like this—I would like the Minister to explain to me what he means by this clause:

“After section 20 of the principal Act, the following section shall be inserted namely:—

“20A. (1) Notwithstanding anything to the contrary contained in section 293 of the Companies Act, 1956, a banking company shall not, except with the prior approval of the Reserve Bank, under sub-section (1), shall be final and shall not be—

(a) any of its directors,”—

I think there is some mistake or the sentence is not complete or the clause is not made clear. I do not understand what will be final. It is very bad English, it is no English at all. Then—

“(b) any firm or company in which any of its directors is interested as director, partner, managing agent or guarantor, or

(c) any individual if any of its directors is his partner or guarantor.”

(2) Any remission made in contravention of the provisions of

sub-section (1) shall be void and of no effect.”

I understand the meaning that the power of remission of debts should not be given to the bank without the permission of the Reserve Bank. But this clause does not connote this sense. I would like the Minister to explain it.

Lastly I would submit that in section 36AA, on page 11, there is a sub-clause to this effect:

“The decision of the Central Government on such appeal, and subject thereto, the order made by the Reserve Bank under sub-section (1), shall be final and shall not be called into question in any court.”

I am entirely opposed to this clause. Why should the Government take away the jurisdiction of the court? Any matter, any dispute, should be referred to the court and its decision should be final. This is not a good tendency. We are a democracy, we are observing the rule of law, and still we are enacting such a law taking away all the powers of the courts. Why can't the courts decide any dispute or issue? This Act gives sweeping powers to the Government, the Reserve Bank may remove any director without any notice. So, to take away the powers of the court is not a good precedent and so, I object to this clause.

Lastly I would only request that now the time has come, as I said in my previous remarks, to nationalise the banks. Even the ruling party is in a mood to nationalise all the banks in the country and without nationalisation, there would not be any dynamism in our economy. So, the Government should not rest content with bringing forward this sort of Bill. Let us hope that sooner or later, the Government will be able to bring a Bill to nationalise all these banks

DR. GOPAL SINGH: I rise to support this Bill which is further to amend the Reserve Bank of India Act, 1934, the Banking Companies Act, 1949 and the State Bank of India (Subsidiary Banks) Act, 1959.

[THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA) in the Chair.]

Why it has become necessary for the Government to bring forward this Bill will be very clear to anybody who studies the working of the banking system in our country at present time. Some of the facts that have been given in this House by various speakers during this debate and during the debate on the feasibility of the nationalisation of banks bear repetition. Some of the facts that have been placed before this House and which I would like to repeat are, firstly, that the three Five Year Plans have created concentration of wealth to such an extent that it has become necessary for the Government to take some measures to check this evil. Secondly, 180 directors of twenty leading banking companies have 1,640 directorships in various industries. Thirdly, two-thirds of the deposits in seventy scheduled banks amounting to Rs. 1,500 crores lie with the private banks. Fourthly, there is only a paid-up capital of Rs. 39 crores which can be paid off any moment from the reserves of the banks concerned and the banks can be nationalised. Government has decided in its wisdom—I do not know why—not to nationalise the banks immediately. But the fact stands that for an investment of Rs. 39 crores, the banking companies have at their disposal Rs. 1,500 crores with which they can manipulate and influence the economy of the entire country. Fifthly, there are large amounts of money unaccounted for and the hon. Finance Minister has suggested that it is Rs. 1,000 crores which are unaccounted for. They are most probably lying in the lockers of the various banks. Sixthly, there has been tax-evasion on a large scale, and it is estimated on a very modest scale that it should be not

less than Rs. 200 crores every year. Foreign exchange regulations are flouted very often, and only recently we read about the case of a foreign company, being involved and also a foreign bank, being involved in this sort of scandal. Our Plans have created not only an accumulation of wealth in a few hands but have also made the poor poorer, as Shri Akbar Ali Khan very rightly pointed out. The small-scale industries have not been advanced any money by the private banks, and it is mostly the State Bank which came into being recently that has made 98 per cent. of the advances to the small-scale industries. It has also been placed before this House by several speakers that during the year 1962, about Rs. 200 crores were advanced to the companies in which the directors were directly involved or interested.

Now, with all this before us, it becomes rather ridiculous for anybody to stand in defence of private banking. In a country like ours which has inherited a colonial economy, it is but proper that we take steps right now to eradicate the economic ills that are inherent in an under-developed economy. Speaking about our capitalism and the American capitalism, Mr. Chester Bowles, the present Ambassador of America to this country, wrote in his book called 'The Ambassador's Report' that whereas the Indian capitalist creates scarcity conditions in order to reap a rich harvest, the American capitalist creates more and sells it cheaper in order to harvest overall richer profits.

SHRI C. D. PANDE: Let us have the American type. That is better.

DR. GOPAL SINGH: It will not work with the Indian capitalists. In a country where you cannot get even good milk unless there is a Government-sponsored dairy as in Delhi or Bombay and where you cannot get even poison unadulterated, in that country, to speak in defence of the private sector seems to me rather ridiculous and superfluous.

SHRI C. D. PANDE: Private sector as a whole or banking only?

SHRI N. M. LINGAM: We are concerned with banking now.

DR. GOPAL SINGH: I am dealing with banking only at the present moment. People like Shri Dahyabhai Patel have stood up in this House in defence of private banks on the plea that otherwise, individual freedom will be jeopardised. To them my answer will be that it is much better that we do not take into consideration the interest of a few hundred monopolists who control the banks and who do not look to the needs of the large masses of people whom this Government has to govern. It is too late in the day now to plead the cause of a limited coterie of people who, with the vast finances that the banks give them, not merely control the banks but also the economic power, which economic power not merely controls the food industry, the cloth industry, the cement industry, the steel industry and all sorts of things but also the type of newspapers which corrupt public taste every morning in the name of democracy and freedom. Therefore, to leave the sources of credit to the tender mercies of the people, who are neither the friends of the Government, nor of themselves, nor of the people, will be to betray the trust that the people have reposed in the Congress Government during the last sixteen years.

People have suggested from the opposition side that there is a good deal of corruption in the Government and that therefore it is much better to fight that corruption amongst the officialdom rather than to regulate the banks, or such like enterprises. I would reply to such critics that corruption becomes possible only when there is a corrupter, and a person can corrupt only if he has the means to corrupt, and he corrupts in his own interest and not in the interest of the person corrupted. If a person goes to an official and asks for a licence or

a permit and offers him a bait of a lakh of rupees, (*Interruptions*) he does so because he would be reaping a far larger dividend, and not because it would be in the interest of the officer concerned whom he corrupts. Therefore, if you want to end corruption, if you want to end monopolies, if you want to end the corrupting overall atmosphere in this country, if you want to help the ninety-five per cent of the people who are poor, and not merely the five per cent of the people who have all the wealth of the country concentrated in their hands, if you really want to bring in socialism, the type of democratic socialism to which we are committed—and socialism does not mean leaving the monopolists alone, leaving the banks alone, leaving the general insurance companies alone and leaving the sources of credit and exchange alone—then, without money, without having all the resources that this country can command in the hands of the public sector, in the hands of the Government, no social change is possible. Therefore, to whatever extent this Bill goes, I support it. But I would suggest and recommend to the Finance Minister that he brings forth very soon a Bill, as soon as it is convenient to him and to his Government, to nationalise all banks and credit companies.

Thank you.

SHRI BHUPESH GUPTA (West Bengal): Mr. Vice-Chairman. I am very happy that many hon. Members from the opposite side have spoken in favour of nationalisation, and it is also encouraging to read in the newspaper that the matter is being seriously considered within the ruling party, because the decision will ultimately have to be taken by the party in power, and I do hope that this decision in favour of nationalisation will be taken, because that is what exactly is needed at the moment, not merely tinkering with the problem.

Before I deal with some aspects of this Bill, may I touch on a very

[Shri Bhupesh Gupta.]  
favourite theme of our friend, Shri Dahyabhai Patel, about the Bank of China? He said things as if the Bank of China is giving money to some parties here, and that the Government is doing nothing. Today, again he returned to this subject. It is very interesting that he never forgets fantastic fabrications. Now I want to nail down what I consider to be a fabrication and it will be proved here, on the floor of this House, that it was a fabrication. It is unfortunate that a responsible leader of a party should be indulging in this kind of anti-communism.

On the 20th of November this year he put a Starred Question to the Finance Minister, and the question was:

"Will the Minister of Finance be pleased to state whether Government have received the reports of the investigations into the affairs of the Bank of China?"

And the hon. Minister—then Mr. Bhagat—answered:

"The investigation is still in progress, but it is hoped that it will be completed in the near future."

Well, we have no quarrel with the answer. Then Mr. Dahyabhai Patel, by way of supplementary, asked him—I am reading his language:

"May I know, Sir, whether the Government of India have enquired into the allegation, or, shall I say, the information supplied to the West Bengal Assembly by their Finance Minister and Home Minister that a number of members of a certain party had large accounts with the Bank of China and that a loan of some Rs. 40 lakhs was given to a certain party from the Bank of China, and how these moneys came into this Bank?"

This is what he asked. I protested here by putting a question to the hon. Minister:

"Is the hon. Minister aware that no such blatant statement had been made in the West Bengal Assembly by any responsible Minister and that certain kite-flying stories are spread, sometimes outside, which are disowned by the Chief Minister? Is the hon. Minister aware of such things? The hon. Minister should know such things in order to put a stop to this sort of propaganda or intended propaganda—I do not know what it is." Therefore I would like to suggest that if there is any such thing in his possession, he can bring it and place it on the Table of the House—I am all in favour of it—and if there is none, he should deny it."

And this is what I said. I challenge what Mr. Dahyabhai Patel said here.

SHRI ARJUN ARORA (Uttar Pradesh): You are charging him *in absentia*.

SHRI BHUPESH GUPTA: After that—that was on the 20th of November—immediately, on the next day, I got in touch with the West Bengal Assembly through a member of our party there. And he wrote a letter to the Secretary of the West Bengal Assembly to find out exactly what the Minister said. Now I have been supplied, through a Member of the West Bengal Assembly belonging to our party, with an extract from the unrevised proceedings of the meeting of that Assembly held on 19-12-63. It was an extract supplied to him—he does not sign, naturally—by the Secretary, Mr. P. Roy, of the West Bengal Legislative Assembly, and here is what exactly was said by the Secretary, West Bengal Assembly, in that extract: It was in reply to a question put by some friend of anti-communism calling attention to matters of urgent public importance; this is the latest on the subject. And this is what the Chief Minister said in reply. This is from the proceedings, everything from the proceedings which were supplied by the West Bengal Assembly secretariat.

"The Hon'ble Prafulla Chandra Sen: With regard to the calling attention notice of Shri Kashi Kanta Maitra regarding the transactions of the Bank of China, I have to make the following statement: We cannot possibly disclose in the House the nature of the transactions of the Bank of China. The State Government has no access to the Bank of China's records and accounts. In pursuance of certain proceedings in the Calcutta High Court, the Bank of China has been placed in charge of an official liquidator. In the absence of access to the Bank's records and accounts it will not be possible for the State Government to say anything about the nature of the Bank's transactions in the past."

SHRI JOSEPH MATHEN (Kerala): Does the hon. Member advocate the cause of the Bank of China?

SHRI C. D. PANDE: He is speaking for China.

SHRI JOSEPH MATHEN: Are you speaking for the Bank of China, or for China?

SHRI C. D. PANDE: For China.

SHRI BHUPESH GUPTA: I am just dealing, by the way, with this point, because he mentioned it, and it is quite clear from what I have brought to your notice, Mr. Vice-Chairman, that this question was put on the 20th of November with a view to indulging in his usual anti-communism and maligning the Communist Party. Today again the subject was brought to the notice of the House with the object of only maligning the Communist Party. I have got here the latest statement on the subject by the Chief Minister of West Bengal, which shows that everything Mr. Dahyabhai Patel was saying was nothing but fabrication—may be he has got it from the 'Current' or some other paper. But certainly the Chief Minister of West Bengal does not say such a thing and is not in a position to say anything of the sort. Now I leave it at that. I was asking him to be present in the House because I took

a little trouble to get the whole thing from West Bengal. Unfortunately he is not there. Anyhow, in future at least, the Swatantra Party, or any other party, when it indulges in anti-communism, should take a little pains to study things. Attack the party by all means, but on the basis of truth—not in this manner, as was done in this particular case.

Now I am coming to this aspect and I must say here that our big business press flashed that question put by Mr. Dahyabhai Patel on that day—on the 20th of November—because the question has an edge against the Communist Party. I would wait till tomorrow whether the contradiction by the Chief Minister is also put in the big business press. Well, if they don't, then I shall bring it to your notice as a matter of unfair reporting with a view to maligning our party, and the press—some press—naturally, when they report such a thing, should be objective in this matter.

SHRI LOKANATH MISRA (Orissa): May I know, Sir, if it is not a fact that the Deputy Minister in the West Bengal Assembly made a statement saying that a leading lady Communist was receiving an amount to the tune of about Rs. 7 lakhs every year from the Bank of China?

SHRI BHUPESH GUPTA: You see, Mr. Vice-Chairman, I cannot help the Swatantra Party in this matter. They never study anything. They leave everything to be studied by Mr. Masani. Themselves they will not do anything. Now precisely I asked for all the references whether any such thing was there. The Secretary of the West Bengal Government looked into this thing and never found a reference of the kind that he has made. Will you come to West Bengal? I will take you there to the Assembly House. You can look into it yourself. Therefore, I can leave it at that. I ask you to go through the proceedings, find out all the references whether there is any reference at any time to substantiate

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what Mr. Patel said. The answer was "No". And whatever was given I have given. All sorts of things have been said by him. Probably you read the 'Current'.

SHRI LOKANATH MISRA: I read it in a Maharashtra paper.

SHRI BHUPESH GUPTA: I leave it at that. (*Time bell rings.*) I have not come to the Bill yet.

The last day I was waiting for an opportunity to expose, what is called, a lie—I am not saying that anybody has told a lie—Mr. Vice-Chairman, today in his speech he attacked the Congress Party saying that the Congress Party is going Communist. There should be some sense of proportion. You see, I should very much like the Congress to go Communist; I should welcome it. But it is absurd to say that the Congress Party is going Communist whenever a proposal of this kind is brought before the House. I may tell Mr. Dahyabhai Patel that if he studies Communism, he will understand that communism does not come by amending the Reserve Bank Act. It comes through social revolution, transfer of power from one class to another, by setting up another form of State, not by amending the Reserve Bank Act.

SHRI SHEEL BHADRA YAJEE (Bihar): Is there communism in Soviet Russia or is it socialism?

SHRI BHUPESH GUPTA: You do not get angry. I am telling him.

SHRI JOSEPH MATHEN: Communism comes by suppressing fundamental rights.

SHRI BHUPESH GUPTA: I wonder why the hon. Member does not seek his place here by the side of Mr. Dahyabhai Patel. This is one of the wonders. His honoured place is on our side, by the side of Mr. Dahyabhai Patel.

Now, this is not at all the proposition. Communism or no communism, banks are nationalised in certain situations even under capitalism. And in fact there are many capitalist countries where we have got the banks nationalised. Therefore, let us not bring in ideological issues in this manner to confuse the problem that we are facing today. If we want nationalisation of banks, we do so in the interest of the country as a whole, in the interest of the Third or the Fourth Five Year Plan and in the interest of the conditions that we have set before ourselves in the Five Year Plans or otherwise by declaration in Parliament. That is why we want it. Anyhow, we are waiting for the developments to take place in the Congress Party and we welcome developments in the Congress Party in this direction because it is a great constructive step that they will be taking when they nationalise the banking industry in our country. And I am sure many Congressmen are playing their part from their respective positions to bring about a situation of this kind.

As far as these banking laws Bill is concerned, I do not see that we can go very far. However, I welcome it. Whatever improvement is there should be supported and welcomed by us. Now, as far as the management is concerned, first of all, I can point out that the powers of the Reserve Bank, however great, are not adequate to deal with the present banking industry, controlled by a handful of people, say, ten or twelve families. Whatever power you may give they will be frustrated because these families are in control of vast resources, which control all the given sectors in our economy. It is possible for them, therefore, always to find ways and means to circumvent even these laws which we are passing as indeed they have been doing. I say again that an arrangement should be made so that the big business people are not given prominent place in the board of directors. That I would like. And you will be surprised to hear that the

Goenka family has directors not only in the three out of the five biggest banks but also on the Board of Directors of the State Bank of India. I would not like these big business families to be put on the Board of Directors especially when there are allegations against them. I do not see the reason why it should not be possible for the Reserve Bank to remove all these people belonging to that "great ten" of the Sahu Jain or Dalmia Jain, ten named people from the boards of directors of all the banks in the country. Why Mr. Shital Prasad Jain and Mr. Ashok Kumar Jain should be on the Board of Directors of the Punjab National Bank, I cannot understand. Therefore, it is not a question of putting your representative. It is also a question of eliminating those people, even within the existing arrangements, against whom there are serious charges.

Mr. Vice-Chairman, therefore, it is not merely by appointing additional directors that you are going to control the management. What we need now, pending nationalisation, is elimination of the shady elements among the directors who sit on the board of directors of the leading banks in the country. That is the suggestion that I should like to make. I suggested that a black list should be drawn up of such people who should be disqualified from sitting on the board of directors of any banking concern or, for that matter, of any financial institution. The Reserve Bank have not that power directly. I should like that power to be a little widened as far as the Reserve Bank is concerned.

Now one thing should be taken special note of by the Reserve Bank—the internal arrangement between the five leading banks in the country. Banks have certain restrictions about loans to be given to the concerns in which the directors may have interest. There what is done is that two or three banks make mutual arrangements in order to circumvent the law

so that through mutual accommodation that could help each other. The Punjab National Bank gives accommodation to the concerns in which the Directors of the United Commercial Bank have interest and *vice versa*. That is how it is done. You cannot catch them because technically they have not violated the law. But then they have frustrated the purpose of the law. I do not know how these people are going to be tackled.

As far as the credit is concerned, a lot of money is being advanced specially in this part of the year. And when we talk about deficit in financing in the country, we must also have in mind the credit expansion which is a form of deficit financing in the private sector. Bank credit expansion is taking place, and nearly thousands of crores of rupees worth of credit is given. A good part of it goes to speculation according to the Ministry of Finance note and so on. I think steps should be taken to see that the moneys are not advanced against foodgrains stocks and so on which are really meant for speculation. The latest information is this that nearly Rs. 140 crores have been advanced against food-grain stocks and we all know that monies have been given not to the farmers but to speculators, profiteers and wholesalers who indulge in black-marketing and so on. I would like these things to be controlled. Also I would like some kind of control to ensure that small and medium industries in the country do get financial accommodation from the big bank of the land. To-day their investments are taking place and advances are being made to companies which are big and under their control or associate with them. The result is that small businessmen and small industries do not get the requisite financial assistance. If we have to overcome our regional disparities in industrial development, we must promote small and medium industries in those places where big industries cannot be set up and this is not possible

[Shri Bhupesh Gupta.]

unless financial accommodation is made and the banking industry comes to their assistance. The Reserve Bank should certainly step in in order to see that it is done. I do not wish to say anything more because we had discussed this subject earlier. All that I would say before I end is, once again with all the emphasis that I can command I say—Mr. Pande is getting up because he will oppose me, I know—that all I would urge upon the Government with all sincerity is that they should nationalise the banks in our country and this is the most pressing task for our economy and for the well-being of our people and the sooner it is done, it is better. If we delay in this matter, we are going to suffer. If we do it quickly, we shall gain immensely, not only in economic terms but also otherwise. May we hope that soon the Government will give up its remaining inhibitions in this matter and hesitation and pay attention to public opinion in the country including their Partymen and in the next Budget Session we shall have a Bill to nationalise the banks, which I am sure, the overwhelming majority in the country, almost the entire people and the overwhelming majority, Members of Parliament will whole heartedly support? We look forward to the day of the nationalisation of Indian banking industry.

SHRI C. D. PANDE: Mr. Vice-Chairman, I rise to extend my support to this Bill to the extent it contains wholesome and healthy restraints on the banking industry. There are no doubt certain malpractices which have to be controlled and the Minister is right in bringing such controls though in my opinion there were already enough restraints in the hands of the Reserve Bank and if they were carefully used, perhaps there would have been no occasion for bringing this Bill. All the same I support the Bill to that extent. I thought that the Bill had a limited scope and I would have no occasion to join issue with regard to the nationalisation of banks

but I was surprised when my friends Dr. Gopal Singh and Shri Bhupesh Gupta spoke, not on the contents of this Bill or the provisions of this Bill but mainly on the issue of nationalisation. In this connection I want to make a few observations. They are, whether in the midst of the Third Plan or in the midst of the developing economy, we should create confidence in the country or among the sections of the people who are engaged in the industry and trade, whether there should be confidence created or a crisis of confidence. My opinion is that whatever Mr. Gupta has said or even Dr. Gopal Singh, it does not create confidence in the country. It creates a sort of crisis in the country.

SHRI JOSEPH MATHEN: That is the mission of the Communist friends.

SHRI C. D. PANDE: If that is so I think the Finance Minister himself will be well-advised and I would request him to make a categorical statement that he will not take any step because Mr. Gupta says but because if there is a necessity and if he finds this essential for the aim that he has in view namely the amelioration of the condition of the people. After all the mere word 'socialism' has no value. It is a negative approach, to say that there is wealth in the hands of a few people and therefore, if that is taken out, if their banking is restrained, the country will be prosperous. I am not one of those who believe in that view.

SHRI BHUPESH GUPTA: Mr. Pande, you lived in Paris for a long time. What is the position of banks there?

SHRI C. D. PANDE: There is mixed banking. I am telling the same thing. In this country we have mixed economy. If we speak of socialism, we also speak of the mixed economy. According to our Economic Resolution of 1948, repeated in 1956, we have accepted that this country shall have two sectors, the public sec-

tor and private sector. Both are there. You cannot say that the money that finances the industry—the cement industry or jute industry or textile industry or paper industry—is not rendering any service to the society. That I do not believe in. Many people said last time that these Rs. 1,400 crores that are in the hands of the private banks can be utilised for some industry. They are under the impression as if these Rs. 1,400 crores are lying in the banks and they are not rendering any service. I hold that every penny of that money is utilised. You can say that it is in the private sector but do you think the private sector has to be starved? If Mr. Gupta's suggestions are to be accepted by the Government and if the background of his mind is accepted, he will dictate that no private industry should be financed by the State or nationalised banking.

SHRI BHUPESH GUPTA: That is why I suggested medium industries.

SHRI C. D. PANDE: All industries which are in the private sector have to be financed. This is the duty of the Government as much as of the people who run the industries. If you think that because they are in the private sector that they do not require any banking facilities at the hands of the Government, then you are wrong. We go to the extent of lending money to them. Should we deny finance to them?

SHRI CHANDRA SHEKHAR (Uttar-Pradesh): Give some time to Mr. Jai-puria. He pleads your case more ably.

SHRI C. D. PANDE: I think I know something in the line. In the mixed economy, a mixed banking is imperative. You cannot have industry or trade or commerce without banking facilities but I have a suggestion to make which will appeal to Mr. Gupta. That is, you start more State Banks. You enlarge the functions of the State Bank. There is nothing in this to restrict the State bank to open more branches or even to have more State

Banks. To-day banking involves Rs. 2,100 crores out of which Rs. 700 crores are controlled by the State Banks or the Reserve Bank, Rs. 300 crores as direct banking by the State Bank and Rs. 300 or Rs. 400 crores by the Reserve Bank as a statutory requirement for the Banks to deposit that money in the hands of the Reserve Bank under the control of the Government. Thus to-day whatever banking is there in this country, one-third is already controlled. People forget it. There is already a mixed economy in banking also.

SHRI ARJUN ARORA: What about the two-thirds?

SHRI C. D. PANDE: The State Bank should enlarge its activities by fair competition, by better service, by more accommodation, by better rates of interest and by lending facilities. It is the easiest thing. The State Bank has the largest amount of resources and those can be utilised and the State Bank is already a big unit. It has the backing of the Government. I do not see why people prefer other banks. You ask the twenty lakhs of people who deal in the banks. Leave the hundred families whom Mr. Gupta refers to now and then that 100 families are controlling. I say, do not give votes to these people. You leave those 100 families but count the 20 lakhs of others who are engaged in the industry and trade.

SHRI BHUPESH GUPTA: You are wrong when you say 100 families. I said ten.

SHRI C. D. PANDE: Instead of 10, do not count at least 100 families or even you take out 200 families. You take 20 lakhs of small industrialists and traders who are working in the smaller places. Mr. Arora will tell you the answer, if you ask the 100 small businessmen in Kanpur whether they would like to deal with the State Bank or with the Central Bank.

SHRI ARJUN ARORA: I will tell you. When people want to make long-term deposits, fixed deposits,

[Shri Arjun Arora.]

etc. they go to the State Bank. Then, when they want to get more money than their stocks permit when they want to indulge in malpractices, they go to the commercial banks. You come from a rural area, but I come from an industrial area. You will agree, that Kanpur is certainly bigger than Haldwani.

**SHRI C. D. PANDE:** I come from Naini Tal which is fairly important culturally also. There I may tell you people undoubtedly go to the State Bank, but I may also tell you that people prefer to go to other banks because the State Bank does not give them the facilities that the private banks give. Why is it that they do not go to the State Bank? Why are they frightened? As I myself said on the last occasion, I come from Naini Tal where there is a branch of the State Bank, and also the Naini Tal Bank and I go to the Naini Tal Bank, because the Nainital Bank gives Rs. 5 or Rs. 10 or Rs. 20 of accommodation. The State Bank will refuse it, if there is no provision. I think there are hundreds of people like that, not big men, but smaller businessmen, smaller industrialists, who want a little accommodation and a little accommodation is a legitimate necessity and that has to be given, and that they get not from the State Bank but from the private banks.

**SHRI ARJUN ARORA:** The Naini Tal Bank gives it to the hon. Member because . . .

**THE VICE-CHAIRMAN: (SHRI M. P. BHARGAVA):** Mr. Arjun Arora, you will have your chance. Let him continue.

**SHRI C. D. PANDE:** By our efficiency, by your courtesy, by your willingness to accommodate, you should extend the sphere of activities of the State Bank. Today you have got Rs. 2,100 crores of banking. I may tell you that in another 5 years or ten years, there will be Rs. 5,000 crores involved in banking and of that

amount the State Bank can and should take a substantial share. If they do it, I will be very happy. They should enlarge the sphere of banking. I am not opposed to the State Bank. I am opposed to the curtailing of the liberty of the people. I know what the mind of the people is, who want nationalisation of banks. I am confident that when the banks are nationalised, they will be giving step-motherly treatment to the private industries, because with this background in mind, they will not give facilities to them to develop. Leave alone the big persons. I am not concerned with them. I am only concerned with the small traders, the small industrialists. My hon. friend knows many of them. He has a large number of friends among them. Let him consult his friends and ask them whether they would like to do their banking with the State Bank or with the others and even if 20 of them say they prefer the State Bank I would be satisfied.

Again, the question of planning was raised and Mr. Bhupesh Gupta was saying that to make our planning a success, you should have it. You will certainly concede that Shri Asoka Mehta is not a rightist by any means, that he is not a capitalist, by any means. He has got ample knowledge of the world and of economic affairs and he has returned from abroad, after touring those countries which are helping us for making our Plans a success. He says that this is not the occasion for such things. He says that we should create confidence in the economy of our country in order to make planning successful. You should do nothing to raise suspicion in the people's mind that India's finances are not all right, that funds are not safe, for in that case, they will pull out their investments and the economy will be jeopardised.

**SHRI CHANDRA SHEKHAR:** Do not misrepresent Mr. Asoka Mehta. These are not his views. His views are different.

SHRI B. R. BHAGAT: Why quote others? Give us your views.

SHRI C. D. PANDE: I myself believe that this kind of thing will create confusion in the public mind. A crisis of confidence should not be created. You have to create confidence in the minds of the people and nationalisation of banks is something which will not further industrialisation and our industries will not prosper.

SHRI CHANDRA SHEKHAR: I want to make one thing clear. The hon. Member totally misrepresented the views of Shri Asoka Mehta, the Deputy Chairman of the Planning Commission. I do not see why he should misrepresent the views of the Deputy Chairman of the Planning Commission. He never said what he is reported to have said.

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

SHRI C. D. PANDE: But I have seen his statements that he made to the press.

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): Mr. Pande, I have called the next speaker.

SHRI SITARAM JAIPURIA (Uttar-Pradesh): Mr. Vice-Chairman, the discussion on this important piece of legislation was going in a rather dull fashion, maybe because hon. Members after a hectic session were feeling tired and they wanted to get back home, or maybe that they felt that Government was determined to put it through, even though it is very late. Nevertheless, our grateful thanks are due to the hon. Member, Shri Bhupesh Gupta, who has brought life into this discussion, though he did not discuss the provisions of this Bill but went on with his usual favourite topic of nationalisation.

In a way Mr. Vice-Chairman, the various fiscal measures introduced in this country in recent times do indi-

cate that there is a persistent shift in the thinking of the Government on economic matters. Whether that will be for the better or for the worse, time alone will prove. But I for one, do feel that the Government's observations and views in the matter very clearly show that the Government is slowly but steadily, in one way or the other, trying to do away with the judicial procedure, and trying to use the arbitrary measures, which I must submit, do not fit in with the democratic set-up and are never healthy or proper. Only the other day, when we were discussing the Indian Companies (Amendment) Bill, it was recommended that a tribunal should be established for the removal of directors or officers if they were found to be not working in the public interest. But in this Bill which is now under consideration, the question of having any such tribunal has been waived and the Reserve Bank has been given absolute and arbitrary powers to remove anybody, even if he is not acting against public interest. Not only that, they have also given power to the Reserve Bank to appoint additional directors, to the extent of five of them. I do not know for what purpose this is being done, because even as it is, the Reserve Bank has plenty of powers which they have exercised, by and large, wherever they wanted to. Therefore, this power to appoint additional directors, and that too five of them, seems to me something quite different. The hon. Member, Shri Bhupesh Gupta, referred to the chairman and directors of the Reserve Bank and also to the prohibition placed on the giving of loans to companies in which the chairman of a bank is the chairman or managing director. I do feel that banking institutions are credit institutions and on their proper functioning will depend the development of our economic progress and our industrial growth. Now, the chairman of a banking organisation may be a person who has developed the country's economic resources industrially and who has substantially contributed to its growth. After all,

[Shri Sitaram Jaipuria.]

our Constitution gives us equal rights and opportunities. These are guaranteed to everybody. The industrial programme is there before everyone. It is rather a matter for heart-searching, to find out how many persons really go in for industrialisation ventures. They, of course, do indulge in throwing boquets or brick-bats, just as they like. But this industrial venture is a technical thing in a way. When more and more people get interested in this, the future of our democracy and the future economic growth of our land, to my mind, will become absolutely safe. But this restriction on the powers of the directors of banks to give loans is something which, to me seems ridiculous. I may be permitted to say that the figures of bad debts that have been shown by the banks so far will clearly prove that the banks have taken all precautions to ensure that whatever money they give is really used for the purposes of development. The purpose of this Bill, as the hon. Member, Shri Pathak, has proved earlier, is this. Not only banking institutions, but also other concerns and other persons who have been doing this sort of banking business would be brought within its purview. Sir, we are not legislating either for angels or for sinners. We are legislating for the average man who is both bad and good.

SHRI ARJUN ARORA: And also for some sinners.

SHRI SITARAM JAIPURIA: If you take one sinner and say they are all entirely sinners, then no party, no community, no section will be left out and my hon. friend, Shri Arjun Arora, realises that more than anybody else.

The whole point is this. In many large cities, particularly for instance in Bombay, we have seen that there are certain industrial houses which, in order to inculcate the habit of saving

in their workers, have introduced the scheme by virtue of which they take from the workers, say, Rs. 65 and after a period of 5 years, pay them Rs. 100 so that they get an interest of approximately 8 per cent. That is what it works out to and even such concerns will come under the purview of this measure. To my mind the population is so vast and the number of the moneylenders and people is so great that it will be physically impossible for the Government to have this legislation and to see that it works through as they would wish it to. Pious wishes of having legislation do not bring us anywhere unless and until they are properly implemented. Again, the question of private Banks and the State Bank was discussed at great length last time. I would not like to go much into this question but I would very humbly suggest that the facts will show that the private sector banks have always been favoured more than the public sector bank except where large advantages have been asked for. I know that there is hardly any political party, maybe with the exception of one about which I do not know, which does not have accounts with the private sector banks and very few, if at all, with the State Bank. I am not decrying the State Bank. It has contributed a lot especially in the earlier times towards the development of industries and even now it is doing it in many places. There is not the question of competition but the whole question is that every sector, every institution, has got to be given an opportunity for its proper growth and proper development so that they can go on well.

Sir, the Governor of the Reserve Bank, when he was in the States some time ago, said there that the bank rate did not represent the effective rate of interest. When he was asked about the return, he said that our bank rate may be low but our effective rate is twelve per cent. to twelve and half per cent. May I honestly and humbly request the Government to let us know their real intentions? If their intention is to bring the

liquid money within the banking sector, then a word of caution is necessary and that is that this will result in the increase in deposit rates and bank rates which will mean an increase of public debt. I am quite sure the hon. Finance Minister about whose foresight and financial insight we do not have the slightest doubt will see that the purpose for which we have been asked to record our approval is not defeated by this piece of legislation. No doubt this is a very important measure. I feel this should have been referred to a Select Committee and measures of such importance are hustled through in such a manner that there is bound to be certain faults and it is very likely that one important fault, Mr. Vice-Chairman, in the fiscal measures may lead the country to economic disaster. I have proposed certain amendments and I will come to them when that stage is reached but I do hope that the hon. Finance Minister will ensure that these arbitrary powers which have been given are used properly. I do not say that they have the intention of using them wrongly but it always happens unintentionally and there is the possibility of some mistakes creeping in and any mistake in the financial and fiscal structure is bound to affect the entire economy of the country and if the country's economy is affected, it is bound to have its effect on every man on earth.

Sir, Mr. Bhupesh Gupta, while speaking, mentioned the question of foodgrains and said that a lot of money has been advanced on stocks. This is speculation. It is a very simple economic theory that if foodgrains are not purchased at the time the crop comes in, where are the foodgrains to remain? Do the farmers have the capacity to retain foodgrains? If not, what are they going to do with them? Are they going to sell their foodgrains . . .

SHRI BHUPESH GUPTA: State should buy them.

SHRI SITARAM JAIPURIA: They cannot hoard them. They have got to earn and they have got to have money to get their necessities. When any banking institution advances money on a certain thing it is done only at the time of plenty—when the things have to be retained—and the things have to be sold when they are in demand. That is plain and simple economic law and I am sure no Government, no country and no people can stop that.

SHRI ARJUN ARORA: Mr. Vice-Chairman, I rise to support the Bill. I welcome it as far as it goes. My sorrow, however, is that the Bill does not go far enough. I remember that it was at Jaipur in 1948 that the Indian National Congress accepted the principle that life insurance and banking should be nationalised. We nationalised life insurance in 1955. It was time that the Finance Minister brought forward a Bill to nationalise banking. As he has not done so I, as a good and loyal Congressman am disappointed, and I am sorry a Congress Member got up and spoke against nationalisation. Nationalisation is part of the Congress creed and I feel that we will do well if we adhere to it and expedite action on it. The Bill brought by the Finance Minister is a good Bill because it covers not only the scheduled banks but all banking and credit institutions in the country. There is a huge amount of unaccounted money in the country and an hon. Member mentioned the figure of one thousand crores of rupees. My own estimate is that it is much more but even if it is only one thousand crores of rupees, I . . .

SHRI MULKA GOVINDA REDDY (Mysore): It is three thousand crores of rupees according to Mr. Bijoya Patnaik.

SHRI ARJUN ARORA: Mr. Bijoya Patnaik, who is himself an industrialist should know more about that *biradari*, has mentioned the figure of three thousand crores but even if it

[Shri Arjun Arora.]

is only one thousand crores of unaccounted money in the country, it is bad enough and something should be done about it. There is no denying the fact that the credit institutions, other than the scheduled banks, play a large part in the concealment and utilisation of the unaccounted money. So, this Bill is a good one because it may perhaps help the country in unhoarding that wealth.

SHRI LOKANATH MISRA: That would place many of the Congress Ministers at a disadvantage.

SHRI ARJUN ARORA: You should not worry about the Congress Ministers. You should worry about your Swatantra magnates. Congress Ministers will look after themselves.

SHRI DAHYABHAI V. PATEL: They do.

SHRI LOKANATH MISRA: They would be at a disadvantage.

SHRI DAHYABHAI V. PATEL: They do look after themselves, certainly.

SHRI ARJUN ARORA: Banking is a case in which concentration is taking place at a very rapid pace. The big firm-banks control eightynine per cent. of the deposits and the depositors in the country are not a few; the number of deposits in the country is about sixty lakhs. The interest of these sixty lakhs of deposits has got to be safeguarded and this Bill is only a measure to safeguard the interest of these sixty lakhs of depositors. This Bill has become necessary because the Directors of scheduled banks, many of them, are people on whom no reliance can be placed. Many of them are people whose conduct has been squarely condemned by the Vivian Bose Commission. So, it is only proper that steps should be taken to control them and such a measure has also become necessary because advances to the directors or their firms are on the increase. My learned friend, Mr.

Lingam, gave the figures this morning and I need not repeat them. Banks in many cases are involved in malpractices like under-invoicing and over-invoicing. Recently a big racket of under-invoicing and over-invoicing has been unearthed at Calcutta and it has been found that a number of banks are involved in them. So it is only proper that the Reserve Bank should be given greater power and greater authority to control them. The Reserve Bank is by far the best possible authority in the circumstances in the country and it is only proper that it is given more powers. As has been mentioned by a number of hon. Members the Reserve Bank has certain powers to control banking and the Reserve Bank has in many cases exercised those powers but there have been no cases in which any hon. Member of this House or the other House had ever complained against the Reserve Bank misusing its powers.

SHRI JOSEPH MATHEN: There were instances, as the one when action was taken against Palai Central Bank. There were instances like that.

SHRI ARJUN ARORA: The Palai Bank case was discussed in this House and it was discussed outside also and the Palai Bank has not been found to be as virtuous as my friend wants to make out.

SHRI JOSEPH MATHEN: They are paying rupee per rupee.

SHRI ARJUN ARORA: The Reserve Bank action against Palai Bank was justified and was found to be justifiable. So in its long history there has been no case of misuse of powers by the Reserve Bank. So it is only proper that when more control over banking has become necessary and acceptable, the Reserve Bank should be given the power. It is of course well known that the Bill, as it has emerged from the Lok Sabha, gives the aggrieved parties in certain matters the right to appeal to the Government of India even against the

actions of the Reserve Bank. So that way the Bill is very simple.

My learned friend, Mr. C. D. Pande, mentioned some of the virtues of the scheduled banks. My own experience is that people want to deal with the State Bank only. Only when the State Bank is not able to deal with them they go to the scheduled banks and other banks. I come from an industrial city in which six big families dominate the industrial life of the city. Of the six I know that three have dealings with the State Bank and not with other banks. Of the three others one had his dealings with the State Bank but there was something fishy and he had to revert to another Bank whose name I would not mention at the moment. So even big industrialists want to deal with the State Bank when their dealings are straight. When the dealings have to be fishy, when more money has to be taken as overdraft than the stocks justify, then of course scheduled banks with one's relatives and friends as Directors are there and people go to them.

SHRI LOKANATH MISRA: What about the small industries and people with modest means?

SHRI ARJUN ARORA: In the case of small industries, Mr. Lokanath Misra, we are more particular than you and as I said in this House on Friday—I may repeat it—ninety-eight per cent of the advances to the small industries comes from the State Bank and only two per cent comes from other banks which finance the Swatantra Party and Mr. Lokanath Misra. When this country nationalised life insurance we did not have the experience of how insurance will work in the public sector. In the case of banking we have experience. The State Bank is there and the way the State Bank has functioned is proof positive that banking can flourish in the public sector. As I submitted earlier when people want to put their money for a long time in safe custody they prefer

to have fixed deposit accounts with the State Bank.

SHRI C. D. PANDE: That is true.

SHRI ARJUN ARORA: In that Mr. Pande agrees with me. That should prove that people have more faith in the integrity of those who run the State Bank and . . .

SHRI C. D. PANDE: They have more faith in the State, because the State is running the State Bank; not in anything else.

SHRI ARJUN ARORA: So you are supporting me. (Time bell rings.) Sir, there have been too many interruptions. One more minute.

When the people are anxious about the safety of their money, they go to the State Bank. Even the small depositor goes to the State Bank though sometimes he has to wait for hours in the queue. Sir, so much is the popularity of the State Bank that I have never seen any queue in any commercial bank but I have seen queues every day in the State Bank. Such is the people's faith in the State Bank, which is an institution of the public sector.

SHRI C. D. PANDE: Who has deposited Rs. 1500 crores in private banks?

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): It is time to wind up, Mr. Arjun Arora.

SHRI ARJUN ARORA: Only where the State Bank is not able to meet the requirements people go to the commercial banks. Only where there are no State Bank branches the people go to the Naini Tal Bank and Discount Bank and Premium Bank. So the faith of the people in the State Bank is established.

There is one interesting thing in this Bill about voting rights of individuals being reduced from 5 per cent to one per cent. That is a good thing. But an hon. Member of the Lok Sabha who knows more about the malprac-

[Shri Arjun Arora]  
tices of the private sector than I do said that individuals who own more than one per cent shares in banks may split their share holdings among various people and thus acquire more voting power. The Life Insurance Corporation and the Government institutions would not do that. The hon Minister who is a very learned person gave no satisfactory reply to this argument of the hon Mr Morarka in the Lok Sabha.

SHRI B R BHAGAT: What was the point?

SHRI ARJUN ARORA: About the individuals breaking their holdings in the banks in such a manner that nobody owns more than one per cent and even benami shareholders exercising voting rights. I hope (Time bell rings) I am concluding, Sir.

THE VICE-CHAIRMAN (SHRI M P BHARGAVA): You have taken five minutes in concluding.

SHRI ARJUN ARORA: I hope the hon Minister will give a satisfactory reply to this and if there is no satisfactory reply to this I hope the hon Minister will please bring a curb on transfer of shares in order to acquire greater voting power, a malpractice which he has been threatened with.

SHRI MULKA GOVINDA REDDY: Sir, before the hon Minister replies to the debate, I want to say something. This morning Mr Chandra Shekhar requested you and brought to your notice the *gur* position. Now that the Food Minister is here, may I request him to make a statement?

THE VICE-CHAIRMAN (SHRI M P BHARGAVA): He can make the statement after the reply.

5 P.M.

SHRI B R BHAGAT: Mr Vice-Chairman, I am very glad that the House gave a very large measure of support to this Bill. Some hon Mem-

bers, who spoke somewhat in a critical way, also appeared to me to be half-hearted in their criticism. There was no thrust in their criticism. Probably they were criticising because they had to and they had taken up that position. The Bill as it has emerged from the Lok Sabha concentrates on three main aspects of the banking system, firstly, controlling the deposits by non-banking institutions, secondly, reducing the voting right to a minimum of one per cent from five per cent as it is today, so as to bring down the concentration of power in this particular enterprise and, thirdly, clothing the Reserve Bank with such powers so that it is able to fulfil its responsibilities in guiding, directing and controlling the banking system on proper channels so as to subserve the economic policies approved by the hon House. These are the main objects of this Bill. One hon Member said that these are totalitarian powers and a totalitarian State is trying to control everything. I think it is either a half-hearted statement or it is a statement without meaning. Neither this Government is a totalitarian Government in this country nor.

SHRI BAHYABHAI V PATEL: If you speak the same English as I speak, then I deny it. It has full meaning and it means what I said.

SHRI B R BHAGAT: Nor this Government is trying to control everything. May I tell the hon Member that certain banking institutions had gone into liquidation because it could not be prevented or it could not be cured at a particular time before it was too late? When it was too late thousands of depositors had lost their hard-earned money. If we give now power to the Reserve Bank so as to prevent such a situation arising, is it clothing it with totalitarian powers? Is it controlling everything? I think he can recall to his mind many such instances in which whole families were involved.

SHRI DAHYABHAI V PATEL The Reserve Bank has got the power Why is it not using it?

SHRI B R BHAGAT I am sorry, when he was speaking I heard him with patience and at least let him hear me with patience. The point, as he said it, is that the Reserve Bank has got the power, but it is not using the power which it has and, therefore, it should not be given more powers. I think not only his argument is faulty but the assumption that he is making for his argument is without any basis. I do not think the hon Member can give any instance where the Reserve Bank, whatever powers it has been clothed with by the House, has not used them. The fact of the matter is that repeatedly cases had arisen. As you know, we have come across the instance of one banking institution where they had run into difficulties. The Reserve Bank could not protect them because it had not adequate powers. And there are instances of various banks where they have disregarded the advice of the observers, where they put up observers. Under the present Act the Reserve Bank could send observers to watch the working of a particular banking organisation. It would have a salutary effect for a small while. But after a time they went back to their old ways and the Reserve Bank could not do anything. That is why we are taking powers now and instead of observers we can appoint directors who can effectively go into the working of a banking organisation so as to prevent it from going to dogs, right at the moment when it should be prevented. That is the reason why such powers have been taken after careful consideration in the interests of financial and banking institutions. I think the hon Member will agree that if something happens to credit institutions like banks, it is very serious. After the failure of the Palani Bank, there was a run on an important bank. If something had happened to it, I think the whole country's economy would have gone to dogs. Therefore, it is very

necessary that the central bank, that is, the Reserve Bank here, must be given such powers, adequate powers, so as to prevent the situation from deteriorating to an extent that it may become a danger to the entire credit system of the country. To call such powers as totalitarian, I think it is either a figment of imagination or complete ignorance of realities. I cannot say anything more than that.

Then, Sir, a point was made by the hon Member, Shri Pathak about some ambiguity in clause 7. He asked, Is it a firm, individual or group of individuals? Can an individual or a firm or group of individuals use the word 'banker'? That is the legal point he raised. I am advised that a person can describe himself as a banker under this provision and a firm can call itself a banker or bankers. It is deliberately intended. So long as these individuals and firms are allowed to carry on, they can do so only if they comply with the State laws. They will have to be identified as such. That is why the word "bank", "banking" or "banking company" have been used, and that is why the clause has been worded as such. They will have to describe themselves as individual bankers and cannot use names which in any way imply that they are either banks or banking companies or banking. So, they can call themselves as bankers. I am sorry that there has been some printing error. As I said, while moving this motion, we had to print this Bill hurriedly overnight and there was some printing error which created some difficulties for hon Members. In fact, when I detected it, a correction was issued. It has been circulated and if he reads that, it will clarify the issue.

Then, another point was made. The hon Member Shri Lingam doubted whether this measure would control the unaccounted money. He asked, "If that is so, what is the Government's proposal about it?" I think the hon Member need not doubt it.

[Shri B. R. Bhagat.]

We want to control or have more information from non-banking organisations about deposits. It is precisely for this reason that we have to know it. The very fact that today the money is unaccounted for is because we do not know anything about it, except that we see conspicuously everything being financed by this unaccounted money. These moneys are not deposited somewhere. They are in operation. We are taking powers to get more information, issue them directives and control them. Once we do it, then it is our intention that in course of time—I think within a few months—we will be able to know the picture, how these moneys are being operated, how these moneys are affecting the credit institutions, how they are affecting various other things, prices, etc. To that extent I think the powers that we have taken will give us an idea, a clear picture of the extent and preponderance unaccounted money has assumed today and the way in which it can be controlled and directed in channels where it can be utilised for the national purpose.

SHRI N. M. LINGAM: What about pursuing the question further?

SHRI B. R. BHAGAT: Then, the hon. Member has said that if it is the intention that this liquid money, the unaccounted money will go into the banking system, it will raise the deposit rates. I do not agree with the hon. Member. Why should it raise the deposit rates? I can say that there is no fixed attitude in regard to interest rates. Of late the Reserve Bank has been from time to time considering the entire economy, the interest structure. They had to raise the deposit rates somewhat. So there is no fixity or rigid rate about the deposits. As and when it is necessary in the interests of the banking system for attracting more deposits, the interest structure may vary or change. That element of flexibility is there in it. The Reserve Bank has got ample power to do it. But I

do not accept the argument that the very fact that the liquid money will be brought into the banking system will result in a push in the deposit rate. That is not true. The very fact that we will control and guide the non-banking companies' deposits will mean that in many cases the undesirable activities indulged in by them, their attracting all these deposits by way of proportionately very high rates of interest, will gradually disappear. That is more likely to happen instead of their coming back into the banking system and raising the deposit rates.

Then, I come to the last question which is a very vexed question. It is coming up again and again not only in this House but in the other House and elsewhere. That is the question of nationalisation of banks. Although it is not very germane to this issue, the very fact that we have brought this Bill and taken more powers shows what the mind of the Government is in this respect. It was during the last session when this question of nationalisation of banks was discussed in the other House that the Finance Minister very clearly stated what was the mind of the Government.

SHRI VICE-CHAIRMAN (SHRI M. P. BHARGAVA): We discussed in this House also.

SHRI B. R. BHAGAT: I am giving just the background of this. Then he said that he wanted to take certain powers so that undesirable activities could be checked. There are difficulties coming in the way of the banking system, and also there is the problem that the deposits are not increasing because there is a large sector of money that is going outside the banking system at present which should come back so that there is a marked rise in the deposits. That should happen. All these measures he wanted to take. The Bill, as I said, has taken enough powers and it has been welcomed by a very large section of the House. That very clearly shows that the Government's mind is not functioning in the direction of nationalisation of banks. Only the

other day this House discussed this question threadbare. I do not want to labour this point further except to say that this is not the proper time to embark on this venture. On a subject like this our mind is open. It is not a question of nationalising or not nationalising. It is not a question of socialism or no socialism. As a matter of fact the Government is committed to a policy of democratic socialism and of preventing concentration of wealth and power. We are committed to this. The only thing is that we should direct our mind to the question of how, in what manner, in what way, we can achieve this goal. The point at the present moment is that by nationalising banks we are not going to solve the question of concentration of wealth and bring about socialism just by mere nationalisation. There is a tendency all over the world which shows that many of the Socialist Parties in other places do not connect nationalisation with socialism.

AN HON. MEMBER: Nor do we.

SHRI B. R. BHAGAT: That is true. Similarly the *vice versa* is also true. Because we will not nationalise, therefore we will be socialist—that is also not true. A matter like this is a very serious one. It has very wider repercussions. Let us think over all the pros and cons of it and not purely by sentiments, whether of ideology or of principle or anything, rush into this direction or that direction. So I am opposed to it. To say we have to nationalise because nationalisation will solve this problem, or to say we have not to nationalise because it will mean disaster—both these extremes are out of the question. We are committed to a policy which will be in the national interest. We have nationalised industries, we have a nationalised sector in banking, we have nationalised insurance. When we think that there is a proper time for it and that the balance of advantage lies in the national interest, we do it. This is our approach. When such a situation arises that on the balance nationali-

sation will be in the national interest, certainly this Government will not hesitate in doing so. But the real point is that today is not the time to do that. More than that I am not going to say on this matter.

SHRI SITARAM JAIPURIA: Sir, on a point of information. May I know from the hon. Minister what is the definition of the words "public interest" as understood by the Ministry of Finance?

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): It is a very well known term. It need not be explained.

SHRI SITARAM JAIPURIA: I think the hon. Minister should reply to my clarification.

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): You cannot force a reply. The question is—

"That the Bill further to amend the Reserve Bank of India Act, 1934, the Banking Companies Act, 1949 and the State Bank of India (Subsidiary Banks) Act 1959, as passed by the Lok Sabha, be taken into consideration."

*The motion was adopted.*

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): We shall now take up the clause by clause consideration of the Bill.

*Clauses 2 to 10 were added to the Bill.*

*Clause 11—Amendment of section 20*

SHRI SITARAM JAIPURIA: Sir, I move:

1 "That at page 8, for lines 20 to 26, the following be substituted, namely—

"(iii) to any public company in which any of the directors of the banking company hold **twenty-five**

[Shri Sitaram Jaipuria.]  
per cent. of the shares, without  
the prior consent of the Reserve  
Bank."

Mr. Vice-Chairman, the provision as  
it is in the Bill only restricts the Chair-  
man of the board of directors of the  
banking company. It reads like this:

"to any company in which the  
chairman of the board of directors of  
the banking company (where the  
appointment of a chairman is for a  
fixed term) is interested as chairman  
or managing director of the company  
if such company has no managing  
agent or as the managing agent or  
director or partner of the managing  
agent of such company;"

I feel that the chairmen of the banking  
companies have always been people of  
high repute and esteem, and to put  
these restrictions on any banking com-  
pany whose chairman happens to be  
the chairman of another company is  
something which will not be equitable  
and proper. I have therefore suggest-  
ed the amendment that I have moved  
which is more restrictive and will give  
greater powers to the Reserve Bank  
because it says that if any director of  
the bank, not to speak of the chair-  
man, holds 25 per cent. of the shares,  
then no money should be advanced  
without the prior consent of the Re-  
serve Bank. This is the reason for my  
amendment.

*The question was proposed.*

SHRI B. R. BHAGAT: Sir, I oppose  
this amendment for the reason that it  
is unnecessary to make this clause fur-  
ther restrictive. Also it is very diffi-  
cult to identify at a particular time  
which of the directors is holding 25 per  
cent. of the shares because there is  
a transfer of shares constantly, and  
therefore at a particular moment it is  
very difficult to so identify. This will  
create practical difficulties. So I re-  
quest the hon. Member not to press it.  
As it is, the clause is quite good and  
will serve the purpose.

SHRI SITARAM JAIPURIA: Sir, I  
beg leave to withdraw my amend-  
ment.

*\*Amendment No. 1 was, by leave  
withdrawn.*

THE VICE-CHAIRMAN (SHRI M. P.  
BHARGAVA): The question is:

"That clause 11 stand part of the  
Bill."

*The motion was adopted.*

*Clause 11 was added to the Bill.*

*Clauses 12 to 17 were added to the  
Bill.*

*Clause 18—Insertion of new Part  
after Part II*

SHRI SITARAM JAIPURIA: Sir,  
I move:

2. "That at page 11, line 37, for  
the words 'by order in writing' the  
words 'after consultation with the  
board of directors of the banking  
company' be substituted."

Sir, the board of the banking com-  
pany should work in absolute har-  
mony and understanding. I feel that  
this amendment will enable them to  
do that. After all the decision is that  
of the Reserve Bank, but if they are  
in consultation with the banking com-  
pany, there will be better harmony in  
the working. Therefore, I commend  
that this amendment may be accepted.

*The question was proposed.*

SHRI B. R. BHAGAT: I oppose this  
amendment because this wants to put  
a restriction on the Reserve Bank. In  
case it wants to remove a person or  
rather to replace a person who has  
been removed, this should be done in  
consultation with the bank concerned,  
as per this amendment. I think this  
will defeat the purpose because the  
removal will arise only in case when  
the activity of that person has been

*For text of amendment, vide col.  
4840 supra.*

prejudicial to the interests of the banking organisation. When he is removed, if again the same board or the bank has to substitute him, that may not be a happy substitute. Similar persons may be appointed. Therefore, it is wise, it is more desirable, that the power should vest in the Reserve Bank who will nominate anybody in his place, and I can assure the hon. Member that the Reserve Bank has a record of fair action in this matter, and there is a Board which will take care of any arbitrary action. Therefore, all this theory is unfounded and the power should remain absolutely with the Reserve Bank:

SHRI SITARAM JAIPURIA: I have said, 'in consultation'.

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): No speech. Say whether you want to press it or not.

SHRI SITARAM JAIPURIA: I am coming to it.

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): You cannot make any speech.

SHRI SITARAM JAIPURIA: I am not speaking.

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): No second speech on amendments. You have to indicate whether you want to press it or withdraw it.

SHRI SITARAM JAIPURIA: In view of the assurance of the hon. Minister, I beg leave to withdraw my amendment.

*\*The amendment No. 2 was, by leave, withdrawn.*

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): The question is:

"That clause 18 stand part of the Bill".

*The motion was adopted.*

*\*For text of amendment, Vide col. 4842 supra.*

*Clause 18 was added to the Bill.*

*Clauses 19 to 30 were added to the Bill.*

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

SHRI B. R. BHAGAT: Sir, I move:

"That the Bill be passed."

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

### THE DELHI DEVELOPMENT (AMENDMENT) BILL, 1963

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): Dr. Sushila Nayar.

SHRI MULKA GOVINDA REDDY (Mysore): Are we discussing this Bill today?

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): I have already called the Minister.

THE MINISTER OF HEALTH (DR. SUSHILA NAYAR): Sir, I move:

"That the Bill to amend the Delhi Development Act, 1957, as passed by the Lok Sabha, be taken into consideration."

Sir, it is a non-controversial Bill and I hope that the House will not mind sitting for a few minutes extra, if necessary, and pass it.

This Bill wants to remove a few simple difficulties that have been experienced in the working of the Delhi Development Act as it has been passed by both Houses in 1957. The Vice-Chairman of the Delhi Development Authority is supposed to be a full-time worker who is not supposed to do any other work. In actual practice, it has been found that at times it is possible and necessary for him to attend to