

Joint Committee of the Houses on the Bill to provide for the formation of certain Government or Government-associated banks as subsidiaries of the State Bank of India and for the constitution, management and control of the subsidiary banks so formed, and for matters connected therewith, or incidental thereto, and resolves that the following members of the Rajya Sabha be nominated to serve on the said Joint Committee:—

Shri K. P. Madhavan Nair,
Shri Tikaram Paliwal,
Shri Jaspat Roy Kapoor,
Shrimati Pushpalata Das,
Shri J. K. Modi,
Dr. Anup Singh,
Shri N. M. Lingam,
Syed Mazhar Imam,
Shri J. P. Agrawal,
Shri Niranjan Singh,
Shri Perath Narayanan Nair,
Shri Harihar Patel,
Shri Mulka Govinda Reddy,
Dr. P. J. Thomas, and
Dr. B. Gopala Reddi."

The motion was adopted.

THE STATE BANK OF INDIA (AMENDMENT) BILL, 1959

THE MINISTER OF REVENUE AND
CIVIL EXPENDITURE (DR. B. GOPALA REDDI): Sir, I beg to move:

"That this House concurs in the recommendation of the Lok Sabha that the Rajya Sabha do join in the Joint Committee of the Houses on the Bill further to amend the State Bank of India Act, 1955, and resolves that the following members of the Rajya Sabha be nominated to serve on the said Joint Committee:—

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Shri Harihar Patel,
Shri Mulka Govinda Reddy,
Dr. P. J. Thomas, and
Dr. B. Gopala Reddi."

SHRI BHUPESH GUPTA (West Bengal): Is it the same Select Committee or a different Select Committee consisting of those members.

DR. B. GOPALA REDDI: The same Select Committee which considers the State Bank of India (Subsidiary Banks) Bill, 1959.

Sir, this Bill is intended merely to clarify certain provisions of the State Bank of India Act. There are only four amendments which raise any points of substance. The rest of the amendments are of a verbal nature.

At present, the only functionaries in the State Bank who are not disqualified to be the Directors or Members of the Central Board and Local Boards of the Bank are the Chairman, Vice-Chairman and the Managing Directors. This debars even the qualified lawyers having the Bank's retainer from serving on these Boards. It is, therefore, proposed, in line with a similar provision in the Companies Act to permit a legal or technical adviser of the Bank, where the circumstances so justify, to be a Director or Member of a Local Board of the State Bank.

The State Bank is now authorized to make regulations for the establishment of pension and provident funds for the benefit of its employees. It has, however, been suggested that the creation of any new pension fund

[Dr. B. Gopala Reddi.]
after 1956 with provision for the payment of certain regular contributions into the fund may involve the carrying on of the business of life insurance by the State Bank in infringement of the provisions of the Life Insurance Corporation Act. The present Bill will remove this unintended disability, and will make it possible for the Bank to have a pension fund for its new employees.

During the last four years, several inadequacies in section 35 of the State Bank Act have come to light. This section authorises the State Bank to acquire, by negotiations, the business, including the assets and liabilities, of any other banking institution and also sets out a summary procedure for such acquisition. In the application of this provision for acquiring the business of some of the minor State-associated banks, like the Manipur Bank and the Cooch Behar Bank, various difficulties have, however, been experienced, resulting in considerable delay in the transfer of the business of the banks to the State Bank. It is, therefore, proposed to redraft the section so as to simplify the procedure.

The difficulties which have been experienced are broadly that the institutions which are intended to be taken over do not always have regular constitutions and are, therefore, unable to take prompt or effective action, that the transfer in accordance with the normal procedure involves considerable delay and expenditure, and that the winding up of the residuary institution after it has made over the whole or substantially the whole of its assets, has to be arranged in accordance with the somewhat elaborate procedure which has been prescribed under the Companies Act and the Banking Companies Act, although such a procedure seems to be unnecessary in these cases.

The amendments which have been proposed in the Bill are intended to

obviate the delays and difficulties that are being now experienced and will also expedite and facilitate the liquidation of the residuary institutions, wherever this is considered necessary or desirable.

In regard to the staff of the banking institutions that will be taken over by the State Bank, provision has been made in the Bill giving them a choice between re-employment in the State Bank of India and retirement with compensation under the Industrial Disputes Act. The terms of the re-employment in the State Bank will generally be more advantageous to the employees, and there is, therefore, no reason why the employees should get the benefit of the compensation under the Industrial Disputes Act, in addition to an employment acceptable to them in the State Bank. The Bill makes it clear that this unintended benefit will not have to be paid merely on some technical ground or interpretation.

The House is aware that under section 36 of the State Bank Act, a fund known as the Integration and Development Fund has been established in the State Bank, to which is being credited the dividends received on the statutory minimum of 55 per cent. of the State Bank shares which the Reserve Bank is required to hold. The fund is maintained in order to reimburse to the State Bank the losses sustained by it in respect of the new branches, over and above an agreed minimum, and also any other expenditure which may be approved. As the amounts receivable by the State Bank from out of this fund will be in reimbursement of losses incurred by it in the execution of national policies and objectives, it is just and reasonable that these receipts should not be deemed as income, profits or gains of the State Bank for the purposes of taxation. The amendment to section 36 proposed in the Bill seeks to clarify this position.

I do not propose to weary the House by an explanation of the other amendments, which, as I pointed out at the beginning, are only of a drafting nature.

I move.

MR. DEPUTY CHAIRMAN: Motion moved:

"That this House concurs in the recommendation of the Lok Sabha that the Rajya Sabha do join in the Joint Committee of the Houses on the Bill further to amend the State Bank of India Act, 1955, and resolves that the following members of the Rajya Sabha be nominated to serve on the said Joint Committee:—

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Dr. P. J. Thomas, and
Dr. B. Gopala Reddi."

SHRI BHUPESH GUPTA: Mr. Deputy Chairman, Sir, I would like to make only some observations on this particular Bill. Now it is well known that all of us are in favour of strengthening the institution of the State Bank and making its operations and functioning effective in the money market and in the entire field in which it functions. Therefore, from that point of view if any alterations and amendments are sought, we are naturally in support of them. But I think that when an

amendment of this kind or amendments of this kind are brought before the House, it is necessary for the Government to tell us about the experiences of the existing laws and tell us why the changes proposed have become necessary. I am not saying that the hon. Minister has not said anything on the subject but it is difficult for us, especially in a complicated subject like this, to easily understand exactly why the changes with regard to certain features of its activity are sought to be made. It is not vital but certain changes are no doubt sought here. The State Bank is an important institution as you know and the Reserve Bank holds the bulk of the shares, the majority of the shares, of the State Bank. It occupies a very important position in the entire credit field of the country by its financial operations. Naturally we would like to go a little deeper into this. Personally I feel that there is some resistance on the part of some gentlemen to making this institution very effective and to extend its functioning, having regard to the requirements of our national economy as a whole. The bias, it appears to me, is still in favour of the big business. When I say big business, some Members might feel that I have brought in the usual clichés with which they seem to associate us. What I say in this connection is that the State Bank when it was Imperial Bank of India was nationalised and at that time a whole number of promises were made with regard to its activities. We were told that it would help the rural credit in a very big way so that co-operative and other institutions might come up and stand on their feet and acquire the benefit. We were also told that the State Bank would so operate that to some extent, if not greatly, it would curb the monopolist tendency in our economy and develop in better directions. We were also told that the financial resources that are available with the Government would be utilized for promotion of what they call, a balanced development of our economy. Now we feel that in all these respects the State

[Shri Bhupesh Gupta.]

Bank of India has not gone as far as it should go even within the limitations of the existing law. To what extent the provisions sought to be amended here with regard to discounting purchases and so on under clause 5 of the Bill etc. explain the situation, I do not know but there is a feeling in the country that the State Bank is not functioning effectively. That feeling is there. I sometimes, talk with the employees of the State Bank. I don't have the privilege or the opportunity to meet other big people but I understand from the employees that things are not going well in some respects. Therefore we do not know. If the Government give us a proper idea or some White Paper when they propose some changes, probably it will help us to understand the position better.

With regard to credit expansion in the rural areas and for rural development and so on, it has been very negligible. With regard to helping the small and other industries, things are not well at all. It is easy for very big business houses or some big business concerns to mortgage their property or whatever they have got and get advance from the State Bank. I am not at all saying that the Government should stop giving assistance to the big business. I am not at all suggesting it as a proposition. All that I say is that the bias should not be so much pronouncedly in favour of the big business. This is the point I wish to make. Because one of the reasons why we supported so vigorously, if you will remember, in this House the Bill to nationalise the Imperial Bank of India was that it might lead to some kind of decentralisation of the economic power, disbandment of the economic power in the hands of a few financial institutions of the country. We were looking forward to the time when they would help some of the other smaller institutions, some of the smaller businessmen and so on. These hopes of ours have not been fulfilled. Now I do not know why these changes are made. It seems that these are technical changes.

Some snags somewhere have arisen which the Government wants to remove. Therefore the changes are made in order to ease the procedure, in order to strengthen the procedure and so on. In this very clause we would like certain very vital changes, in the clauses that are referred to in the amending Bill itself.

In regard to the State Bank, the question I put is, is it really going apace? It holds considerable amount of banking capital, whether in terms of deposits or in demand deposits. Considerable amount of money is held by the State Bank as it should be. I wish it was more. In this connection I make my position clear that I am in favour of nationalising the entire scheduled banks, all the scheduled banks in the country and bringing them within the purview of the State Bank—call them State Banks if you like—by merger and so on. You get them nationalised and integrate them into a system of State Bank so that our banking business at the higher level becomes thoroughly nationalised. This has been our point of view. This has not been acceptable to the Government though the Government has the State Bank with itself. Therefore we would like to know how they operate *vis-a-vis* the other banks.

Now I think after the State Bank comes the Punjab National Bank. I think I am right or it will be third in the list. So far my reckoning goes, it comes second. Now our heart sinks in our boots when we read in the newspapers and see that the Chairman of the Punjab National Bank has to pay a fine of Rs. 55 lakhs for violation of the Foreign Exchange Regulations. What is the State Bank doing or the Reserve Bank doing? Nothing is done. He is not removed. He remains there. Such are the banking institutions in our country, manned by such people and they are in a position to restrict the operations of the State Bank, sometimes bully it and sometimes prevent its business, prevent its operations in the money market and in other ways and the State Bank unfortunately, submits to

that position instead of fighting it with the help of the Parliament and the law, if necessary. Sir, this is one of my complaints. I do not see any paper sent to us telling us where the State Bank is facing difficulties. Well, everybody in the country knows, whoever reads an economic journal, that the banking world is not all that glittering as is sought to be made out. All that is not gold there. This is what we gather from the newspapers and financial journals. We would like to know how the State Bank of India, occupying so crucial and strategic a position in the banking system of our country, faces such matters. We do not know any such thing. We are kept in the dark. Therefore, on that score, it is essential. Here minor things are sought to be done. Now, this one point I want to make very clear and I would like the hon. Minister to consider it. I think the time has come, after a few years of experience of the State Bank of India the—nationalised Imperial Bank—when the Government should consider comprehensive amendments to the particular Act, the State Bank of India Act. This is very, very essential. Now, that can go to the Select Committee rather than some odd clauses here and there or some odd sections of the particular Act. Government should do it. With regard to the company law they have done to some extent. We shall see how they have done. It does not seem very good. Well, they have tried to do it. With regard to the State Bank, there should be a comprehensive attempt of this kind. This is, not being done.

Then, Sir, with regard to the Boards and other things, I feel that the State Bank of India should be run by people who are above reproach. That is not to say that I do not want financial men, with experience and knowledge, on the Board of Directors. I do want them. I do not mind good experts as it is proposed here being put. But as a whole, as a collective body, I want these Boards to be such as would consist of men of total integrity, men who are above suspicion, men whose very names evoke confidence, men

who have imagination and nothing but the country's interests to serve, when they are associated with such institutions. I regret that this is lost to their view when proposals are made for amendments. Now, a suggestion has been made for legal expert and so on. Well, if he is necessary, it may be there or may not be there. You can do without that also. These are not vital points. We want the Boards to be manned by proper types of people. There is a tendency to draw from the big business. There again some people connected with the big business should be put on the Board of Directors of the State Bank of India. Why should it be so? And in case you do such things, let us have an opportunity to discuss such nomination before you take this step. I put a question. I think, with regard to this kind of suggestion, we do not get very much light from the Government. There is hush-hush about it. I do not like this kind of thing. For instance, I would have liked to have a list of people who are on the Central Board, who are on the Local Boards and so on. This helps us so that when you make proposals or certain other additions to the Board, we would be in a position straightaway, at a glance, to understand as to what the Board is going to be like. We are interested in the composition of the Board, in the personnel of the Board. We are very much interested in this kind of thing, because we have seen how men at the very top sometimes mismanage things. This is the position. Therefore, that is not there.

Now, Sir, I understand that it is being run in some bureaucratic manner. Why, for instance, cocktail parties should be given by the officers to the Board of the State Bank of India in Calcutta, where Rs. 2,000 or so should be spent, I cannot understand. Hon Members, some of them may be prohibitionists, others may not be. I am not a prohibitionist that way, although I am a teetotaler. Personally speaking, I do not think I should commit suicide if there is no prohibition in the country. Neither am I an alcoholic that way. But I

[Shri Bhupesh Gupta] do not see as to why the State Bank should indulge in, the Board of Directors should indulge in such kind of cocktail parties in Calcutta. Intentionally I would not give the names and the Government should find them out. I have in my possession the particular names. This should not be done. It demoralises. I know that when the small officers and others know about these things, they become demoralised. I would not like people fond of cocktails to be on the Board of Directors either local or otherwise.

DR. R. B. GOUR (Andhra Pradesh): They attract business.

SHRI BHUPESH GUPTA: If you attract business by cocktail, you land in Mundhra's pocket. That is the position. This is one aspect.

Now, Sir, in the matter of appointments, I find that large sums of money are being spent on officers. Here provident fund is there and other things are given. I want these things to be done. The employees of the State Bank who have some complaints in the past and grievances should be given all possible kinds of relief and redress. But I do not see as to why on some of the officers at the very top so much money should be spent. It is one of the misfortunes in my life that I do not mix with very many rich people, being a man of no means whatever, except what I get here. I have no spite against them, but I do not like to hear either through correspondence or by personal representation that some officers of the State Bank go about in the way as if they are, well, enjoying in a sort of a big family of rich people. That should not be the approach in such matters. Again, here, because I know of some people in the State Bank I have got some respect for them, about their integrity. But I know also their integrity. But I know also others about whom I cannot speak very much and about whose integrity I have my doubts. But that is beside the point. This thing should not be done. Now, the Board functions in a particular manner. It functions as if it is the old type of, to some extent,

the Imperial Bank Board. That should not be so at all. I am not suggesting that it is exactly the same, identical. But nothing of the past traditions should be taken over by them in so far as they are bad traditions. Some expertness, knowledge, and so on must be there. I am not against it. This is another aspect.

Then, Sir, I find that some people—for some who live in flats, extraordinary charges are made for the flats and so on. Some expensive flats are provided to some of the officers. It should not be done by a banking institution. It is bad business morally, economically and otherwise. This should not be done. I have avoided all the names, just because I would like them to go in for a little search in this matter. A little search would probably produce some good, stimulating results.

Now, I come to attitude. The hon. Minister has mentioned about the employees. It is good. But here I cannot understand, for instance, this sub-clause 6(8). The present position is the retrenchment compensation is related normally to the length of service of the employee. After the merger and take-over and all that, their service would be counted from the period the merging is taking place. This is the position. That is to say, in the matter of retrenchment and so on, they will not get what they are entitled to. The hon. Minister was somewhat laconic here. I would like him to be a little more clear as to whether in any manner the employees of these banks who will come here will suffer materially and financially. I am not quite clear. I do not like the words as you have given. They get compensation under the Establishment Acts. and so on and this thing is sought to be amended to the detriment of the employees. That should not be the position at all. I think the hon. Minister should consider that point, because what he has said has not made things clear. Whenever you take over something, new people come and they should not be put in a worse financial position, no matter what the technicalities are. If certain rules and regulations come

in the way of extending to the employees at least the same benefits that they were enjoying, then change those rules and technicalities. If you give them better benefits and better emoluments, it is all to the good. As you know, after merger, in many cases in the case of Life Insurance anomalies arose and all kinds of controversies arose. Some sections of the employees suffered and all that. I do not think we should go in for any such repetition of this thing. It is absolutely essential that the employees should be given all advantages and they should not be put in a disadvantageous position.

Now, Sir, I have said some thing and I hope that when the Minister replies he would give us a little more idea of how this particular clause will operate *vis-a-vis* the employees and also make some observations with regard to the remarks that I had made about the general functioning of the State Bank of India. The State Bank of India should be strengthened undoubtedly but the policy has got to be changed radically with a view to placing it in the position that it should occupy in our economic life.

SHRI BABUBHAI M. CHINAI (Bombay): Mr. Deputy Chairman, I rise to support the amending Bill which has been moved by the hon. Minister and in doing so I want to point out to the House as to how the State Bank has worked during the last five years.

In the first instance, I would like to point out the figures relating to deposits. In 1954, the bank deposits were to the tune of Rs. 169.63 crores and in 1958, they were of the order of Rs. 219.48 crores. In 1954 the advances stood at Rs. 100.82 crores whereas in 1958 it was Rs. 172.06 crores. The investments in 1954 were of the order of Rs. 108.72 crores whereas in 1958 it was Rs. 284.55 crores. What does this show? This shows that there is progress from year to year. You will also find, Sir, that the net profit has increased from

what it was in 1954. In 1954 it was Rs. 136.91 crores, in 1958 it went up to Rs. 190.14 crores and here you will please note the change in the outlook which this House had suggested. In spite of the increase in the profits of the company, the dividend has been maintained at the same level, namely, it was 16 per cent. in 1954 and it is the same in 1958.

In regard to the expansion programme, Shri Bhupesh Gupta observed that people had very high hopes about the expansion programme, opening branches in the rural areas and so on. Well, Sir, the figures in this connection will bear out what I have to say. In 1954, a total of fifteen new branches were opened whereas in 1958, the corresponding figure was 105. You will be further glad to know, Sir, that nearly 215 branches were opened in rural and semi-urban areas. This will clearly show what the intention of the Government is. It is to expand the facilities of the State Bank in the rural areas and in semi-urban areas thereby giving more and more facilities not only through the State Bank but also through commercial banks.

In regard to rural credit, we have to look at the figures of advances made by the State Bank. In 1957, the advances were to the tune of ten crores of rupees whereas in 1958, they were to the tune of fourteen crores of rupees. We have, in addition, the Central and the apex co-operative banks who are allowed the facility of remitting funds once a week free. Coming to the question of remittances given on its own by the State Bank, the figure is Rs. 29.9 crores in terms of long-term and medium-term loans. The State Bank has also subscribed to the debenture of land mortgage banks and in encouraging marketability. The Bank's holding on the 30th December 1958 was of the order of Rs. 62.3 crores whereas the total loans granted to the co-operative banks was Rs. 32.00 crores. This will show that the State Bank has started taking more and more interest in seeing that facilities

[Shri Babubhai M. Chinai.]

are given to co-operative institutions and that these facilities are extended to rural and semi-urban areas.

In places where there is a district or local co-operative society, the Agent of the State Bank is allowed to function as an ex-officio director of such a society. Sir, the Bank provides finances directly to marketing and processing societies in the States where co-operative central financing agencies are not well developed and where the co-operative financing agencies are sufficiently developed, the Bank has limited its operation to a few selected institutions.

Coming to the question of sugar factories working on co-operative lines, I want to point out that on the 30th September, 1958, seven factories were given credit facilities to the tune of Rs. 2.5 crores, credit limit of Rs. 3.2 crores and deferred payment to the tune of Rs. 4 crores. It cannot be said, therefore, that the State Bank is not an enterprising Bank. It has been doing its best to give facilities to all those who are concerned. They have the warehousing facility also. The Bank has offered its full support to the scheme of warehousing as envisaged in the Agricultural Produce (Development and Warehousing Corporation) Act, 1956. The way in which this facility is given is as under: Participation in the share capital of the Central Warehousing Corporation, representation on the National Development and Warehousing Board, State Warehousing Corporations, etc. Sir, this has not been covered by statutory provision but the Bank's officials have been permitted to serve on the advisory committees on warehouses. The Bank has evolved an appropriate procedure for granting advances against stocks in the warehouses. On top of all this, Sir, if we look to the question of financing the small-scale industries, we find a very encouraging report. In this connection, I would like to say that the State Bank has recently circulated in a booklet form details about this

scheme and this may be gone through. You will find, Sir that the scheme which the State Bank has evolved is a very encouraging one. The State Bank, in collaboration with the institutional agencies like the Director of Industries in the States and the State Financial Corporations, the co-operative banks, etc., decided to work out a pilot scheme in three centres in each of the three circles, Bengal, Bombay and Madras. Under this scheme, applications for small amounts are considered by the Director of Industries. Application for working capital is also taken up. All this shows that the State Bank has been doing a pretty good work. The expansion programme is also going apace, though not to the expectation of some of the Members of this House but I am sure that the State Bank has been making steady progress about which everyone of us should be proud.

DR. R. B. GOUR: Don't praise the State Bank too much. Everybody will start doubting

SHRI BABUBHAI M. CHINAI: I know there is nothing else in the minds of some of the friends in this House but to doubt even the working of an institution which is theirs. After all, what is the State Bank? The State Bank is their own Bank and if we see that the result is good, then it is but natural that we have to praise it. If somebody wants to doubt the working, wants to doubt the *bona fides*, then he is most welcome. I have nothing to say but I for one . . .

SHRI BHUPESH GUPTA: Don't you want your son to be a better businessman than he is?

SHRI BABUBHAI M. CHINAI: Everyone would like that, but then it is not necessary to run down anybody who is doing pretty good work.

Finally, Sir, I come to the guarantee by the National Small-Scale Industries Corporation. The Bank has entered into an agreement with the National Small-Scale Industries Corporation, (Private) Limited, under which the Corporation guarantees that portion of the Bank's advances to

small industrial units against raw materials which is in excess of the amount normally advanced by the Bank. This arrangement facilitates the execution of Government and other orders secured by the co-operatives and placed with the small industries. Sir, there is liberalisation in procedures. The rural scheme has been liberalised on two occasions with the result that more and more people can take advantage of that. Sir, the scheme has also been extended to all the branches.

Finally, Sir, one word in connection with the rate of interest. The rate of interest on advances granted to all such co-operative institutions is half a per cent less than the usual interest which has been charged to all business enterprises.

In connection with the small-scale industries, Sir, the circles are Bengal, Bombay, Madras and Delhi, as I have stated. The number of units are:—

Bengal	101
Bombay	105
Madras	238
Delhi	252

The amounts involved are:—

Bengal	30.44
Bombay	55.85
Madras	67.97
Delhi	83.10

(All these in lakhs)

The amounts outstanding are:—

Bengal	8.53
Bombay	17.05
Madras	36.07
Delhi	25.14

Sir, over and above that, the facilities given to the staff, if you take that into consideration, are also according to me satisfactory. The Bank has started a Staff Co-operative Housing Fund to which a total amount of Rs. 25 lakhs has been transferred from the profits of the Bank. The object of the Fund is to provide financial assistance

to Staff Co-operative Housing Societies. These loans, most of which will be advanced to the lower income group, will carry a concessional rate of interest.

The Staff Welfare Fund started in 1957 has been started for the purpose of improving the general working conditions of the staff employed by the Bank. The amount in this Fund at present aggregates to Rs. 25 lakhs transferred from the profits of the Bank.

With all these facilities and this result, I do not doubt for a moment that there will be anybody who will say that the State Bank has not progressed. With these words, Sir, I commend this motion, to refer the amending Bill to the Select Committee, for the acceptance of the House.

SHRI ROHIT M. DAVE (Bombay): Mr. Deputy Chairman, as this Bill is going to the Select Committee, I do not wish at this stage to go into the question of the general working of the State Bank because we will have an opportunity of examining that question at the time when the Report of the Select Committee comes before this House again. At the same time, Sir, I cannot allow to go unchallenged the claim made by my hon. friend, Shri Ch'nai, that the State Bank is working perfectly, and that it has fulfilled all the promises which were held out at the time when the State Bank of India was established.

Sir, in our rural areas people are still starved of credit. Our agriculturists have still not got enough wherewithals to improve the agriculture, and the normal requirements of the small-scale industries have so far not been fulfilled. The State Bank of India was established with a view to dealing with these aspects, these drawbacks, these weaknesses in our credit structure, and these weaknesses still persist. At any rate, however, as I said, we will have time to go into these questions in greater detail on some future occasion. I would like to confine my attention to the Bill as it is going to the Joint Select Committee.

[Shri Rohit M. Dave.]

Sir, I would like to draw the attention of the House to clause 2 which proposes that the prohibition in respect of legal or technical adviser of the Bank being appointed as a member of the Central Board or Local Board or Local Committee should be dropped and that he should be allowed to be a Member of any of these bodies. I would like the Joint Select Committee to go into this question in some detail. If there is a legal retainer, because of the wording of this particular section, even he is not allowed to be a member of the Board of Directors, and perhaps some change might be necessary. But from that, to go to the provision that any legal adviser or technical adviser would be entitled to be a member of these bodies would be, to my mind, a fairly big lead. Sir, legal advisers and technical advisers have a very important function to perform. I know of cases where there are differences of opinion in a given body. I was never a member of any Board of Directors, so I do not know what is going on over there. But I was a member of the Bombay Municipal Corporation and the Standing Committee thereof. I am also a member of the Senate of the Bombay University. I find that in these bodies there are certain problems which crop up leading to a difference of opinion between the people who hold one view and the people who hold another view on legal matters. Some people think that this is the legal provision applicable; others think that some other legal provision is applicable. In such circumstances, Sir, there is a general procedure to refer the matter to the legal adviser of that particular body, and that legal adviser being not a member of the body is expected to give an impartial advice, with the result that when that advice comes to the body, it is accepted as an impartial advice and is acted upon. It serves as a sort of deterrent for that particular body. If that legal adviser becomes a member of the body proper, naturally he will be also taking sides in the discussions. He would not apply only his legal mind because he is not there just as a legal adviser. He is

there as a Director and as a Director he is expected to apply his mind and to have his own views regarding the issue which that particular body is discussing. Under these circumstances, any advice that he might give as a legal adviser will be suspected by those who hold a contrary view, and it will not be possible for that body to come to any conclusion because it will not have any impartial advice, advice which could be accepted as an impartial and expert advice by both sides. The same applies to the technical adviser also, and, therefore, to my mind it is a very big step when we allow a legal adviser or a technical adviser to become a member of an important body. I would like, Sir, the Joint Select Committee to go into that in some detail.

Then, Sir, there is the question of the income-tax, section 36 of the principal Act. Here the hon. Minister pointed out that the idea of clause 7 is that when the State Bank of India is called upon to perform some national service, to extend banking to rural areas, to open new branches, etc., at least in the initial years, it is likely to incur some loss. There is an arrangement whereby the State Bank of India is reimbursed beyond a particular point as far as loss is concerned, and that reimbursement should not be taken as an income of the State Bank of India for income-tax purposes. As far as I can understand this is the position. That being the case, I would like to know if this consideration, if this principle is applied to other banking institutions and to other organisations also, because when we are calling upon the general sectors in our industry, either the private sector or the public sector, to undertake certain responsibilities, then as far as the general rule of reimbursement of loss is concerned, that rule should be applied equally both to the private sector and the public sector. Sir, I have always held that merely

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because there is the public sector, merely because there is an employee serving in the public sector, there should not be any handi-

cap in his way as far as his right to fight for his working conditions and for his wages is concerned, simply because the concern in the public sector is doing some public service. I would like to apply that principle in all cases and to see that as long as mixed economy persists, there is, as far as possible, a general scale which is held even between the private sector and the public sector, and the private sector is not loaded against in any way excepting for the fact that the private sector has to fall in line with the general economic policy of the country and if they do not do so, certainly very stringent measures would become necessary. I would, therefore, again like the Joint Select Committee to go into this question more fully and to see when there is a loss and when there is reimbursement of the loss, to what extent the Income-tax Act would apply as far as the reimbursement is concerned, and at what stage the question of this particular income being liable to income-tax will come in, and to see that if there are such handicaps in other institutions and in other units also, they also are properly looked into.

Lastly, I would like to say one word regarding the drafting of these various Bills. Sir, we have got three Bills before us just now. In each one of these Bills, there are a large number of clauses which deal with drafting errors, mistakes or clarifications on some of the points which are not clear. This is happening more and more often. I realise perhaps that the Drafting Department of the Law Ministry is overworked because of democracy, because a large number of measures have to be drafted day by day. Perhaps, they do not have enough time. If that is so, then the Law Ministry should be properly strengthened, but whenever measures come—they are two years, three years, four years, ten years—old measures, and even in these measures there are a large number of drafting errors, that have to be corrected. That is no good, and as far as possible, the Bills that

are presented to Parliament should be foolproof at least as far as drafting is concerned and that matter also requires a little bit of looking into.

DR. R. B. GOUR: Mr. Deputy Chairman, Sir, I only wanted a couple of minutes to raise this question in regard to sub-clause (8) of clause 6 on page 4 of the Bill. That is the most reactionary clause, to my mind. That will very seriously affect the employees.

SHRI H. P. SAKSENA (Uttar Pradesh): Which section please?

DR. R. B. GOUR: Well, it is a Bill, it cannot be a section. It is sub-clause (8) of clause 6 on page 4 of the Bill.

Now, Sir, ordinarily banking companies come under the Establishments Act. Under the Establishments Acts in the various States, it is quite possible that one establishment gets amalgamated with another establishment and in that case, the service of the employee concerned is protected. Either the services are to be terminated by the amalgamating concern—the concern that is getting amalgamated—and he gets the retrenchment benefit under the Industrial Disputes Act or the concern in which the original concern is getting amalgamated takes over the liability of paying the retrenchment benefit whenever he is subsequently retrenched. That means his length of service is maintained. What you want to do now by this amendment is, you want to remove this operation of the Industrial Disputes Act which gives retrenchment benefit to the workmen concerned. What we want you to do is that you can maintain the length of service so that subsequently when he is going out of the establishment he gets the benefit of the entire service—fifteen days wages per year or some such thing, whatever it is. Now, this retrenchment benefit under the Industrial Disputes Act or the other benefit—the gratuity that he gets under the Establishments Act—is not there. For example, in Hyderabad he gets the benefit—gratuity under the Establishments Act. You want even that to go.

[Dr. R. B. Gour.]

This is unfair to the employee because you say that the employee must accept the new terms that you are giving. You are giving probably a certain increased emolument also. Maybe, the amalgamated concern is a poor concern, or certain things might happen. But what is happening to this gratuity or the retrenchment benefit which is his earned benefit? This is going, because by one stroke of the amendment, you are removing this particular facility that he is enjoying. Therefore, this particular sub-clause must be very seriously looked into by the Joint Select Committee.

Thank you, Sir.

DR. B. GOPALA REDDI: Sir, excepting Dr. Gour, other Members have generally welcomed the proposals.

SHRI AKBAR ALI KHAN (Andhra Pradesh): He has also welcomed it.

DR. B. GOPALA REDDI: He objected to this particular provision. I can understand his feelings in the matter. But, of course, Shri Bhupesh Gupta wanted that the State Bank should be strengthened generally because we are expecting so many things from the State Bank, and he wants that the institution should fulfil all the objectives for which it was nationalised. I am also very happy that Shri Babubhai Chinai who generally stands for the private sector has given a good certificate to a nationalised institution. He pleaded very strongly that the State Bank is certainly fulfilling all the aims and objectives, it is going on with its developmental work, it is giving a lot of fillip to rural credit and to small-scale industries, etc. Therefore, it is a welcome feature that from all sections, they have expressed appreciation of what the State Bank is doing. After nationalisation within the last, say, four years or so, certainly the State Bank has done yeoman service. It has been embodied in the Act itself not only

with regard to the opening of new branches, opening of many facilities for rural people, but also with regard to co-operative institutions and land mortgage banks in taking up their debentures, etc. and also in giving a helping hand to the small-scale industries. They are pursuing a regular policy which has been laid down, of course, by the Reserve Bank and the State Bank also, in consultation with the Government, and the State Bank is trying to follow their policy to the best of its ability. And if you look back at the four years' performance, certainly it is really a creditable performance.

Sir, I had the privilege of going through the latest report of the Central Board of Directors for the year 1958 and also the speech of the Chairman and had discussions also with him not only when he came to Delhi, but also recently when I went to Bombay, and as far as I am concerned, personally speaking, I think the State Bank is certainly coming up to our expectations and fulfilling all the objectives and I need not go again through the figures which have been given by Mr. Chinai. Certainly, Sir, the Chairman's speech and the Directors' report also could be made available in the Library for hon. Members to peruse, to read and to see how far the State Bank is progressing.

With regard to other matters, of course, it is very unfortunate that drafting sometimes becomes defective and we have to amend it at the earliest possible moment. When we are amending the Act, we take advantage of the situation and then try to bring in amendments to the existing clauses. But, Sir, many issues are raised in courts also and then it comes to the notice of the Government that the existing provision is capable of giving another meaning which is not the original intention, and, therefore, we seek these opportunities to amend those clauses also. I mean, it is not as though every time it is due to defective drafting. After all, the drafting is there, but the courts give

an interpretation contrary to the original intentions and the Government has to come with an amendment and things like that. Therefore, we cannot say that the drafting is always defective and that every time—in every session—we are coming with amendments. After a few years of experience and in the light of the judgments of the various High Courts, we certainly come with these amendments.

Sir, Shri Bhupesh Gupta objected to the nomination of the Directors. Nomination of the Directors is there, of course, as laid down in section 19 or so. So many regions, so many mercantile interests, commercial interests, industrial interests, co-operative interests, all these have to be satisfied, and generally they are people with experience. It is no use decrying people who have some experience. When we are handling crores of rupees of public funds and things like that, we do want men of experience. And it is no use putting people who don't have that experience, either in investments or in giving advances, and things like that, and I do not know how we can improve upon the character of the composition of the State Bank by putting in people with other political ideologies or with interests other than, of course, the Bank's interests, and after all the primary concern of the State Bank should be how to safeguard the depositors' interests, not the share-holders' interests but the depositors' interests; they get deposits in crores, and these deposits must be safeguarded first of all, and of course under the policy laid down by the Directors.

DR. R. B. GOUR: The trouble arises when the depositors want socialism and the Directors want capitalism. That is the trouble.

DR. B. GOPALA REDDI: Now, Sir, I do not think the Directors stand in the way of any policy laid down by the Government; they are not standing in the way; they are not stopping the aid given to the small-scale industries or to the rural co-operative insti-

tutions or the long-term credit, and things like that. All these are in pursuance of a general policy, and the directors are not standing at all in the way, and if there is anything going wrong anywhere, that is not the fault of the Directors, and, therefore, we want people of experience, and if they happen to be industrial magnates, of course, it is not a disqualification. If somebody has mercantile or commercial experience and if he happened to be a Director of the State Bank, that experience should not be a disqualification at all; it is only incidental that he is managing big concerns and big firms and things like that.

Sir, I am sorry that Mr. Bhupesh Gupta made reference to some things which I could not catch quite well, some cocktail parties and things like that. I do not know what he was referring to, and whether it was from the State Bank or from some other place. Whatever it is, we do not know. Anyway, Sir, a big institution like that must certainly be in a position to entertain people; when some people come from abroad for certain conferences and things like that, they must be able to entertain the delegates or the people who are invited, and things like that; we should not object to proper entertainment being meted out to the delegates or to the Directors attending the conferences and things like that. And I do not know, Sir, what incident he was referring to—some cocktail parties and all that.

SHRI AKBAR ALI KHAN: He should also be invited.

DR. B. GOPALA REDDI: No, no; Shri Bhupesh Gupta, even if he is invited won't go, and if he goes there he will be a misfit there. Anyway that is all a small matter. We should not grudge proper entertainment by an institution like the State Bank. That is what I wanted to say.

With regard to the retrenchment benefit, Dr. Raj Bahadur Gour raised the point, and perhaps he wants to have the best of both the worlds. He wants to be retrenched and to get all

[Dr. B. Gopala Reddi.]

the retrenchment benefits, and also get re-employment with all the additional advantages, as if both the alternatives should be available to those people. They cannot have both the benefits, getting retrenchment benefits and also getting re-employment with all the additional emoluments and things like that. I mean, after all he must get only one of the two alternatives; either he is re-employed, taken back; or he is retired, and when he is retired, of course, he gets all the compensation.

SHRI KHANDUBHAI K. DESAI (Bombay): Is the continuity of service being maintained?

DR. B. GOPALA REDDI: Certainly.

DR. R. B. GOUR: It is not.

DR. B. GOPALA REDDI: You won't have double advantages, whatever it is; he should not get any unmerited benefits. He will be in a much better position than what he was and just on a technical question he may be deemed to be a new entrant, and on that account he should not get the advantages of both the systems; I mean, that is what we were trying to look into.

SHRI AKBAR ALI KHAN: The point referred to was that if there was no continuity of service then he should get both.

DR. B. GOPALA REDDI: If there is continuity then how can both the alternatives be made available to him?

DR. R. B. GOUR: The trouble, Mr. Deputy Chairman, is that as soon as he gets into the State Bank as an employee, his whole previous service is terminated and he is offered new terms, that is, a certain salary and a certain fixation in the grade according to the Sastri Award.

DR. B. GOPALA REDDI: The whole thing may be looked into by the Joint Select Committee—now it is going to the Joint Select Committee. What I would like to say is that we are

anxious to see that he should not be under any handicap at all because the institution was taken over by the State Bank, nor simply because some institution was taken over he will get unmerited advantages. We are trying to see that the employees do not suffer in any manner. They may get a variety of new benefits under the State Bank, and it is possible that one or two of their previous conditions of service may not be continued in the new set-up. On this ground, they should not get retrenchment compensation. In practice the conditions of service under the State Bank will be indicated to every employee. He may opt for this or he may retire and take retrenchment compensation; the choice will be entirely his, and whatever is more advantageous to him will be permissible; there will be no unfairness shown to the employees. Therefore, we are trying to see that merely on some technical ground he should not get all the retirement benefits and also get all the new advantages of the new service; and things like that. Anyway, Sir, it is a point which the Joint Select Committee may consider. We are only anxious that he should not walk away with benefits and advantages which he does not deserve at all. That is all we are anxious to see. Anyway that is a matter which could be looked into by the Joint Select Committee.

And, Sir, as I said, the State Bank is doing quite well, and it is but right that we should strengthen it by all means and give it a helping hand in its forward march, as it were.

MR. DEPUTY CHAIRMAN: The question is:

"That this House concurs in the recommendation of the Lok Sabha that the Rajya Sabha do join in the Joint Committee of the Houses on the Bill further to amend the State Bank of India Act, 1955, and resolves that the following members of the Rajya Sabha be nominated to serve on the said Joint Committee:

Shri K. P. Madhavan Nair,
Shri Tikaram Paliwal,

Shri Jaspat Roy Kapoor,
 Shrimati Pushpalata Das,
 Shri J. K. Modi,
 Dr. Anup Singh,
 Shri N. M. Lingam,
 Syed Mazhar Imam,
 Shri J. P. Agrawal,
 Shri Niranjana Singh,
 Shri Perath Narayanan Nair,
 Shri Harihar Patel,
 Shri Mulka Govinda Reddy,
 Dr. P. J. Thomas, and
 Dr. B. Gopala Reddi."

The motion was adopted.

THE BANKING COMPANIES (AMENDMENT) BILL, 1959

THE MINISTER OF REVENUE AND
 CIVIL EXPENDITURE (DR. B. GOPALA
 REDDI): I beg to move the following
 motion:

"That this House concurs in the recommendation of the Lok Sabha that the Rajya Sabha do join in the Joint Committee of the Houses on the Bill further to amend the Banking Companies Act, 1949, and resolves that the following members of the Rajya Sabha be nominated to serve on the said Joint Committee:—

Shri T. Pande,
 Shri P. S. Rajagopal Naidu,
 Shrimati Sharda Bhargava,
 Shri M. Govinda Reddy,
 Shri Lavji Lakhamshi,
 Shri Mahesh Saran,
 Shri T. D. Pustake,
 Shri Nawab Singh Chauhan,
 Shri V. C. Kesava Rao,
 Shri M. D. Tumpalliwar,
 Dr. R. B. Gour,
 Shri Rajendra Pratap Sinha,
 Shri Kamta Singh,
 Shri A. Chakradhar, and
 Dr. B. Gopala Reddi."

Sir, the Banking Companies Act came into force with effect from the 16th March, 1949. It has since been amended thrice, in 1950, 1953 and 1956. While the first two amending Acts were intended to ensure the speedy liquidation of companies which were in the process of being wound up, the more recent amendment in 1956 was mainly with a view to extending the Reserve Bank's powers of supervision and control. The working of the Act has however revealed certain discrepancies, omissions and ambiguities. The Bill now before the House seeks to remove these omissions and ambiguities and to place on a permanent footing certain exemptions which have had to be granted to banking companies generally.

The nature of the amendments has been fully explained in the notes on clauses attached to the Bill. I will only deal with some of the more important provisions in this speech.

Although our original intention was to make the provisions of the Act applicable only to companies, the existing definition of "company" in section 5(1)(d) of the Act is capable of being construed to include within its scope firms and associations of persons having more than seven members. Clause 2 of the Bill seeks among other things to clarify this position. At the same time, in order to prevent such firms or associations from carrying on banking business in the same manner or to the same extent as companies subject to control and supervision under the Act, clause 35 of the Bill provides that subject to certain exceptions, no person other than a banking company shall accept deposits of money withdrawable by cheque.

An important problem which we have had to consider is the future of banking companies which have been refused a licence or prohibited from accepting fresh-deposits. The