

THE RIVER BOARDS BILL, 1955

THE MINISTER FOR PLANNING AND IRRIGATION AND POWER (SHRI GULZARILAL NANDA) : Sir, I beg to move for leave to introduce a Bill to provide for the establishment of River Boards for the regulation and development of inter-State rivers and river valleys.

MR. CHAIRMAN: The question is:

"That leave be granted to introduce a Bill to provide for the establishment of River Boards for the regulation and development of inter-State rivers and river valleys."

The motion was adopted.

SHRI GULZARILAL NANDA: Sir, I introduce the Bill.

THE INTER-STATE WATER DISPUTES BILL, 1955

THE MINISTER FOR PLANNING AND IRRIGATION AND POWER (SHRI GULZARILAL NANDA) : Sir, I move for leave to introduce a Bill to provide for the adjudication of disputes relating to waters of inter-State rivers and river valleys.

MR. CHAIRMAN: The question is:

"That leave be granted to introduce a Bill to provide for the adjudication of disputes relating to waters of inter-State rivers and river valleys."

The motion was adopted.

SHRI GULZARILAL NANDA: Sir, I introduce the Bill.

THE STATE BANK OF INDIA BILL, 1955

THE MINISTER FOR REVENUE AND DEFENCE EXPENDITURE (SHRI A. C. GUHA) : Sir, I beg to move:

"That the Bill to constitute a State Bank for India, to transfer to it the undertaking of the Imperial Bank of India and to provide for other matters connected therewith or incidental thereto, as passed by the Lok Sabha, be taken into consideration."

Sir, this Bill has mainly two purposes. One is the taking over of the Imperial Bank and the other is the making of certain provisions for rural credit particularly for agricultural purposes. I think hon. Members know that in our country the position of rural banking is not at all satisfactory. There had been different enquiries and recommendations for a number of years. The Central Banking Enquiry Committee, the Rural Banking Enquiry Committee, the Shroff Committee, etc., have all made certain recommendations for the extension of banking facilities to the rural and semi-urban areas. But it has not been possible to make much progress in that respect. The total number of banking offices in rural areas, that is to say, in towns with a population of 30,000 and more or less was about 1,550 in 1952. Hon. Members know that the number of villages in India is over five and a half lakhs, also that about 70 per cent of our people live in rural areas. So with this meagre banking facility, it has not been possible for the rural people to properly regulate their economy, neither was it possible for the Government to develop the rural areas. I may mention here the benefits that accrue from banking offices in rural areas. On an average each such rural bank collects deposits and advances probably a sum to the order of eight to ten lakhs of rupees. From the point of view of general economy, the existence of these banks therefore means the collection of deposits and their employment towards productive purposes, instead of their lying idle. Considering the social and economic changes that have come over in recent years, more especially in the disappearance of the investing class—the middle class which more or less in the past used to play

[Shri A. C. Guha.] a predominant role in capital formation,—the importance of mopping up small savings generated by economic developments all over the country has to be realised.

Hon. Members know that during recent years, there has been a shift in the economy of our country. So long the middle class was more or less the investing class, but now the middle class has lost that happy position and there has been some change in the economy of the agricultural sector of the population. During the war years and even after that, for some years, the prices of agricultural commodities were rather high and it is expected that there may be some surplus money in the rural areas. But the rural people have not got any banking facilities. They cannot properly utilise their money or save anything for further investment or for productive purposes. It is known that in our country, even four to five years ago, only about 4 per cent of our national income was being saved for reinvestment. Due to the efforts of Government. I think that percentage has increased by about 2 per cent or something like that. But still considering the requirements for development purposes. I think the nation should be able to save a higher percentage of the national income, and for this, the provision of banking facilities is of the greatest importance. By extension of the branches of the Imperial Bank, or rather the State Bank as it will now be known, in the rural and semi-urban areas this facility will be made available to the rural people.

Sir, this is not only a question of agricultural credit, but also a question of rural industries. The same thing applies to the rural industries, the same conditions prevail there, in the rural and cottage industries, the same lack of credit, the lack of funds. Naturally the rural people usually get into debt. It was, I think, a rather deliberate policy of the British Government to dry up the rural areas and

at the expenses of the rural areas foster the urban areas. They wanted to create some intermediaries between the foreign government and the great mass of the people and these intermediaries were these: the middle class, the landholding classes and the money lenders. Through these three classes of people the rural people were being pumped of every bit of the wealth that they could produce and all that wealth came to the urban areas for the benefit of the intermediate class and of course, the foreign government.

Sir, as early as the year 1926-27, when the Royal Commission for Indian Agriculture was set up, this question of rural credit or the question of orderly development of rural economy was a pressing problem. That Commission said:

"The cultivator of India needs from time to time, some form of capital, either for carrying on permanent improvements by the purchase of improved implements, or for current requirements. The greater proportion of the funds required for this purpose is provided by the local money-lenders."

Further they state:

"The mortgaging of agricultural land is the most common method of arranging long-term credit and the total sum advanced upon this form of security must now be very large."

This mortgaging of agricultural land naturally led to the alienation of land. Thereby quite a large number of landless agriculturists were produced. About 30 per cent of the rural people, it has been calculated, are landless agriculturists, or people with small strips of land, quite inadequate for their purposes. That is the conclusion arrived at by the Agricultural Labour Survey conducted by the Government of India whose report was published only last year.

With this background the Reserve Bank set up the Rural Credit Survey Committee and this Committee, after strenuous labour of four years, has submitted its report. I think the House will agree that this is the most comprehensive survey of rural credit, not only for this country, but perhaps for most other countries. This Committee has made certain recommendations about rural credit and the Government is going to implement the recommendations. As I said the other day, recently there was a conference of the State Ministers who are handling co-operative departments in their respective States and that conference has unanimously accepted the recommendation of this Committee as far as they would go, for implementation of rural credit through co-operative organisations.

It is the accepted policy of the Government to utilise the co-operative organisation for rural credit and we are glad that this Committee has also recommended that co-operative organisations should be the machinery for distributing credit in the rural areas, both for agriculture as well as for rural industries. I have already referred to the Royal Commission on Indian Agriculture. That Commission also wrote, "If co-operation fails, there will fail the best hope of Indian agriculture." I know that the record of the co-operative organisations in this respect so far is not quite happy. Members may say that the co-operatives have failed to fulfil their purpose. I do not quite agree with them but, really, I would also say that the expectations have not been fulfilled by the co-operatives; yet at the same time, I do not think that there is any sufficient ground from the past performance to come to the conclusion that co-operation as an organisation should be rejected and that we should think of some other machinery for rural credit. It has been the experience of many other countries that the co-operatives have functioned quite well and in our country also, at least in some areas like Madras and Bombay, the co-operatives have been

able to do some appreciable work. If it has failed in other States, it is not due to any intrinsic defect in the co-operative organisation as such but that must be due to the organisational defect or due to some defect in the personnel who were in charge of running the organisation.

I also say that up to the achievement of Independence, we could not have expected much from the co-operative organisations. I hope the Members would agree with me when I say that it was not to the interest of the foreign Government to encourage the co-operative organisations to function properly and efficiently; it was not to their interest to develop a prosperous and contented peasantry. Rather, they wanted to keep our peasantry half-starved, unconscious of any human rights and privileges. Naturally, co-operatives which can work only through the voluntary co-operation of the rural people, cannot be expected to function in such an atmosphere. It was, more or less, the deliberate policy of the British Government to ruin the rural structure. Indian economy or Indian civilisation was more or less with a rural bias. From the ancient times, it was in the villages that our economy and our civilisation prospered. It was only under the British Government that this character of our economy, of our civilisation, was not allowed to continue. So, the failure of the co-operative organisations was due to the policy of the British Government. Now, in a different atmosphere, we can expect that the co-operative would function properly and that is why we still consider the co-operatives to be the best machinery for giving rural credit and organising the rural economy in its entire aspect.

The Report of the Rural Credit Survey Committee has given us an integrated programme. Several times in the other House and in this House also, during the consideration of the Reserve Bank Amendment Bill, Members have questioned the adequacy or the efficiency of that Bill. In their anxiety for rural development, I am

[Shri A. C. Guha.] afraid they have not been able to grasp the entire picture of the rural credit structure. I think I may read out the integrated picture of rural credit that the Government have in view in pursuance of the recommendations of the Rural Credit Survey Committee. Doubts were expressed as to whether or how far the State Bank would be able to give credit itself directly to the cultivators, and particularly, the point was made that a large number of our cultivators are, by usual banking standards not credit-worthy. This point was raised in this House also during the Reserve Bank Amendment Bill, as to how the Government or the State Bank can help an agriculturist who has not got any asset on which credit can be given. It must be appreciated that the State Bank of India is one of the components of a scheme which must be comprehended as a whole. A brief general picture of the scheme as presented by the Committee subject to certain adaptations that Government may make while implementing the proposals, may be given.

In the Food and Agriculture Ministry at the Centre, there will be a National Co-operative Development and Warehousing Board which will operate two Funds to be called the National Co-operative Development Fund and the National Warehousing Development Fund. The job of the National Co-operative Development and Warehousing Board will be to promote planned development, throughout the country, of the co-operative processing and marketing of agricultural commodities and of facilities for the storage and warehousing of such commodities. In pursuance of this object, the Board will give financial aid and accommodation as well as other forms of assistance to State Governments and through them to co-operative organisations. There will be, at the Centre, an All-India Warehousing Corporation functioning as an auxiliary of this National Co-operative Development Board. In the

States, there will be State Warehousing Companies. The Committee has proposed that the Government of India should make an initial contribution of Rs. 5 crores to the National Warehousing Development Fund and further recurring contributions annually. The warehousing and godown facilities will be organised through the All-India Warehousing Corporation, the State Warehousing Companies and the co-operative societies. In each State, there will be a State Co-operative Bank at the apex. Below the State Co-operative Bank, there will be the usual co-operative credit societies at the district level called the Central Banks, and at the bottom of the structure, the primary co-operative societies. Short term and medium term credit will be canalised through this co-operative credit structure. Each State will also have a Central Land Mortgage Bank for the purpose of providing long term credit. Then, there will be primary Land Mortgage Banks. There will be close administrative co-operation between the State Co-operative Banks and the Central Land Mortgage Banks.

For purposes of marketing, there will be State Co-operative Marketing Societies at the apex. Then there will be primary marketing societies and at other appropriate levels intermediates between the primary and the apex.

There will be close co-ordination between State Co-operative Marketing Societies and the State Co-operative Bank.

The Committee contemplate State participation at all levels of the cooperative structure.

The Committee have a great many detailed recommendations to make as to the better working of all these cooperative organisations. They advocate that Central Land Mortgage Banks should give loans to a greater extent for purposes of land improvement; they advocate that primary cooperative credit societies should give crop loans, as has been successfully experimented in Bombay; they also-

cate that primary agricultural credit societies should be organised for a larger number of villages rather than at the rate of one for each village so that they may be properly staffed, etc.

Then they have detailed recommendations to make regarding personnel, supervision and audit of these cooperative societies of various sorts.

SHRI BHUPESH GUPTA (West Bengal): I think the hon. Minister can spare himself the trouble of reading out all these things.

PROF. G. RANGA (Andhra): Why?

SHRI BHUPESH GUPTA: Let him deal with the Bill.

MR. CHAIRMAN: Order, order.

SHRI A. C. GUHA: It is by this reorganisation of structure and re-orientation of policies that the Committee expect the co-operative movement, which has failed hitherto, to succeed hereafter.

It will therefore be seen that the integrated solution contemplates the provision of credit, the organisation of warehousing facilities and the organisation of co-operative marketing.

It is against this comprehensive picture that the part to be played by the Reserve Bank and the State Bank of India should be viewed. The Reserve Bank will continue to be the main source of short term accommodation to the State Co-operative Banks as hitherto. The Reserve Bank will give medium term loans in addition. These medium-term loans would be given out of the National Agricultural Credit (Long Term Operations') Fund to be set up under the Reserve Bank of India (Amendment) Act. This Fund is to have an initial contribution of Rs. 10 crores and an annual contribution of Rs. 5 crores. Out of the Long Term Operations Fund, the Reserve Bank will also make long-term loans to State Governments to enable them to participate in the share capital of the co-operative credit institutions. The Reserve Bank

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will help State Land Mortgage Banks by buying their debentures, and by granting them loans.

There will be a second Fund called the National Agricultural Credit (Stabilisation) Fund to be built up by the Reserve Bank as provided in the Reserve Bank (Amendment) Act for converting into medium term loans short term loans given to State cooperative banks where due to circumstances beyond control re-payment has not been possible. This provision is meant to safeguard against the cooperative credit institutions coming into difficulties.

The Agricultural Credit Department of the Reserve Bank will help State Governments to reorganise their cooperative structure on the lines described above.

This is more or less a short summary of the integrated scheme that the Government has in view and step by step these measures will be implemented. I should also say that apart from the two measures which have been introduced before this House—one of which has been passed and the other is now under consideration—the Food and Agriculture Ministry will also come forward with another Bill. Besides this, the State Governments will have to do something and the cooperative banks in all its different spheres will also have to do many things.

The Reserve Bank has also a programme of starting some institutions for the training of proper personnel to run the co-operative organisation. Among many other handicaps for the co-operative organisation, that of trained personnel was, I think, one of the most important handicaps, and to remove that handicap the Reserve Bank has started a training scheme and this scheme will be extended to other States and to different centres of the country.

Now, Sir, I come to the State Bank, how the State Bank will actually help

[Shri A. C. Guha.] the rural credit and what will be its actual role in the distribution of rural credit. The State Bank will provide remittance and exchange facilities to Co-operative Banks as well as to other banks and thereby promote the expansion of banking facilities in rural areas.

Close co-operation between the branches of the State Bank of India and all co-operative banks is envisaged by the Committee. It is contemplated that in sub-divisional towns the branch of the Central Co-operative Bank will ordinarily be operating in the same building as the branch of the State Bank of India. It will help the Cooperative Bank in many ways, such as, collecting bills, safe custody of valuables, serving as the banker of the Central Co-operative Bank, etc.

Apart from this, credit accommodation will be made available by the branches of the State Bank to the Co-operative Marketing Organisation against pledge or hypothecation of goods.

Pari passu with the development of godown and warehousing facilities, it is necessary to have an extension of banking facilities to provide credit against the security of goods stored in warehouses by the Co-operative Societies. This is sought to be achieved through the branches of the State Bank.

Some Members seem to have misunderstood the position by imagining that the State Bank will be giving loans directly to cultivators. This is quite impracticable. The only satisfactory machinery that can reach the vast numbers of cultivators involved is the co-operative organisation. The credit facilities of the State Bank will be available to the Co-operative Organisation at appropriate points against appropriate security. The cooperative organisation will so to say interpose between the cultivator on the one hand and the Reserve Bank and the State Bank on the other.

/ These institutions cannot reach credit facilities down to the cultivators themselves; they can only operate through a satisfactory co-operative structure. This is the role that will be played by the State Bank in the matter of giving rural credit.

Then I should come to the other aspect of this Bill, that is, the taking over of the Imperial Bank. There have been insistent demands both in Parliament and I think outside Parliament also for nationalisation of the Imperial Bank. I do not know whether Members would like to call what is provided in this Bill nationalisation or not, but at least for brevity of language I would use the word 'nationalisation'. I do not like to enter into the technical controversy.....

SHRI BHUPESH GUPTA: I would call it a miscarriage of nationalisation.

SHRI A. C. GUHA: It is provided that the Reserve Bank will keep at least 55 per cent of the shares of the new bank, the State Bank, and the remaining 45 per cent it can give to private shareholders. But sufficient care has been taken to see that as far as general policy and principle matters are concerned proper control can be effected by the Central Government either directly or through the Reserve Bank. Out of 20 directors, 14 will be nominees of the Central Government including one who will be a nominee of the Reserve Bank. I think the Reserve Bank may also be lumped together with the Central Government because, according to Mr. Bhupesh Gupta also, it can be called a completely nationalised institution without any misconception and consequent miscarriage. So when I say "the Central Government" I may not always make the distinction between the Central Government and the Reserve Bank. I hope I may be permitted to use the word rather loosely inclusive of both the Reserve Bank and the Central Government.

Hon. Members will have seen that the appointment of the Chairman, the

Vice-Chairman and the two Managing Directors will be made either by the Government or with the approval of the Government. So there need not be any apprehension in the minds of hon. Members that there would not be proper control or effective control by the Central Government. At the same time there need not be the apprehension at the other extreme that there may be too much control by the Government in a banking institution which they may not consider to be quite desirable. I do think that it may not be quite desirable for the Government to interfere in the day to day affairs of a banking institution. It was for this purpose, that though the Rural Credit Survey Committee recommended that the shares of the State Bank may be held either by the Central Government or by the Reserve Bank, the Central Government have decided that the share will be held only by the Reserve Bank. This will give an indication as to the outlook of the Government and will ensure that there will not be any interference by the Government in the day to day affairs of the bank. This bank is now the biggest commercial bank in the country. About 20 percent of the total bank deposits are in the Imperial Bank. Though this Bill is giving a very important function to the State Bank regarding rural credit, it is not the intention of the Government to impair in the least its character as the biggest commercial bank in the country. We shall see that it continues to be the biggest commercial bank in the country, a help and guide to the Scheduled Banks and also to the business community.

Sir, there have been many complaints and grievances against the working of the Imperial Bank. I do not think I need enter into that controversy at present, as the Imperial Bank will cease to exist within two months. I think by the first of July the Imperial Bank will cease to exist and will transform itself into the State Bank of India. But still I should say it did perform some important

functions in the national economy. Of course, the whole outlook of national economy during the British rule was not what we wanted it to be, not what we would have desired our national economy to be. Just as many other things which the British Government utilised for their own purpose but also served some national purpose, for instance, the middle class, this Bank also served some national purpose, even as the middle class also served some national purpose.

SHRI K. S. HEGDE (Madras): Why-all this comparison of the middle class and the Imperial Bank?

SHRI A. C. GUHA: The middle class is also the creation of the British Government and they created it for their own purpose.

SHRI BHUPESH GUPTA: How did he discover that the middle class is the creation of the British Government?

SHRI A. C. GUHA: That is the opinion held by all historians and economists in the country.

SHRI B. C. GHOSE (West Bengal): Which classes are not the creation of the British Government? (*Interruptions.*)

MR. CHAIRMAN: Order order.

SHRI A. C. GUHA: Anyhow, I find that there are so many defenders of the middle class in this House, I myself belong to the middle class and taking

SHRI BHUPESH GUPTA: And taking the path of defending the bigger ones.

SHRI A. C. GUHA: I do not think that Mr. Bhupesh Gupta can claim to be anything other than a middle class man.

MR. CHAIRMAN: All right. Let us not bother about it.

SHRI A. C. GUHA: Sir, I think there is some misapprehension about the

[Shri A. C. Guha.] structure of the Imperial Bank as it is at present. The Imperial Bank was formed in 1921 by the amalgamation of the three Presidency Banks and since then it has been functioning as one Bank operating throughout the whole of India. It enjoys certain facilities and privileges from the Government and surely that gave this Bank a sort of advantage over other banks. Some Members may have an idea that this Bank represents foreign interests to a very considerable extent even today. But that is not at all correct.

SHRI BHUPESH GUPTA: Why?

MR. CHAIRMAN: He will give the reason. Please wait.

SHRI A. C. GUHA: Sir, in 1927 non-Indian shares were to the extent of more than 50 per cent in the Imperial Bank. Even in 1930 it was slightly more than 50 per cent but in 1954 it has come down to just 10 per cent of the share capital. Non-Indian shareholders of fully paid shares, numbering 616, held 7946 shares and their total value was Rs. 39,73,000. The number of part paid shares held by non-Indian shareholders is 8,898 and the total value of the shares held is Rs. 11,12,250, making a total of Rs. 50,85,250 out of a capital of Rs. 5,62,00,000. Therefore it is not quite true that the Imperial Bank still represents the British interests.

SHRI BHUPESH GUPTA: May we know how much of their Investments by way of loans and advances are lying with the British concerns?

SHRI A. C. GUHA: I have anticipated my friend. I will come to that. If you look at the investments the position in 1953 was thus: The investment of the Imperial Bank in solely European concerns was only 4-11 per cent, while in partly European and partly non-European concerns, it was 14:27 per cent. I think we can divide it half and half and it would come to 7 per cent.....

SHRI BHUPESH GUPTA: By adding my wealth to that of G. D. Birlas and Tatas. It is no use dividing half and half.

SHRI A. C. GUHA: How the hon. Member will look upon G. D. Birla or Tata is another matter. I am speaking about Indian and non-Indian concerns. I do not think even the hon. Member will deny that Birla and Tata are Indians.

I think if we divide this partly Indian and partly European figure of 14-27 per cent, into half and half, then the total investments in European concerns would be a little over 11 per cent of the total investments. Therefore it is not true that the Imperial Bank is catering only to European commerce and neglecting Indian business community and Indian commerce.

SHRI BHUPESH GUPTA: Will the hon. Minister tell us how many of the companies holding shares are British concerns or British Indian concerns? He gave the number of companies which hold shares. May we have some facts about it?

SHRI A. C. GUHA: I have already given the figures of the shares held by non-Indians.....

SHRI BHUPESH GUPTA: Twenty-seven per cent of the shares are held by companies and trusts, you stated this in the other House. We would like to know how many of the companies holding shares in the Imperial Bank belong to Indians; how many of them belong to the British; and how many of them are joint concerns?

SHRI A. C. GUHA: I think these companies and trusts holding shares are mostly Indian. So, the position is that the Imperial Bank is not just a European concern or non-Indian concern or one catering only to non-Indian interests and not helping the Indian business community

SHRI BHUPESH GUPTA: Cosmopolitan concern.

SHRI A. C. GUHA: Then, I should like to come to another aspect, how these shares are distributed. I should also mention, Sir, that when in 1921 on the amalgamation of the three Presidency Banks this Imperial Bank was formed, the shares of those banks were then valued at the following rates: —

Bank of Bengal shares: Rs. 1,770 per share of Rs. 500.

Bank of Bombay shares: Rs. 2,200 per share of Rs. 1,000.

Bank of Madras shares: Rs. 1,675 per share of Rs. 500.

SHRI S. MAHANTY (Orissa): So, that was the market value?

SHRI A. C. GUHA: Yes, that was the market value.

SHRI S. MAHANTY: Is it the present market value of the shares of the Bank of Bombay, Bank of Madras, and so on and so forth?

SHRI A. C. GUHA: The hon. Member does not know that the Bank of Madras, etc. all these ceased to exist. In 1921, at the time the Imperial Bank took them over.

SHRI S. MAHANTY: How can we discuss these things? He speaks in a rambling manner.

MR. CHAIRMAN: Please do not make comments.

SHRI A. C. GUHA: Then, Sir, let us see how the shares are distributed according to the number of shares held. I think, share holdings exceeding 500 shares are only 24 per cent of the Share Capital. And most of these, a good number of these are trusts and corporations. Then, between 251 shares and 500 shares, it is 69 per cent.; between 101 and 250, it is 16.8 per cent. Only these may be considered, to some extent, to be big holdings of shares and quite a number of them are trusts and corporations. And the others are small holdings.

This is the nature of the Imperial Bank as at present. I would like to quote certain other figures at the end of this debate, to meet the arguments of the Members on many other points. I think I have covered all the relevant points that might come up for discussion and I now move that the Bill be taken into consideration.

MR. CHAIRMAN: Motion moved:

"That the Bill to constitute a State Bank for India, to transfer to it the undertaking of the Imperial Bank of India and to provide for other matters connected therewith or incidental thereto, as passed by the Lok Sabha, be taken into consideration."

SHRI H. C. MATHUR (Rajasthan): Mr. Chairman, this Bill which provides for the constitution of the State Bank by taking over the Imperial Bank, in the first instance, with a view to assume control over the sector of commercial banking, and particularly for extension of banking facilities on a large scale should have evoked great appreciation for this big step taken by the Government. But unfortunately the manner in which this step has been taken and the provisions which form part of this Bill have not only left no enthusiasm with us, but have very correctly evoked great criticism from people who had expected things to be much different. Mr. Chairman, the hon. Minister wanted to call this nationalisation of the Imperial Bank and my friend sitting here very correctly characterised it to be a miscarriage. I think it is something worse. We should not be carried away by the catchy phrase of nationalisation; we should not be carried away by pet phrases. Let us take and assess the facts as they stand. Let us take into consideration our past experience and let us examine the provisions in this Bill. This type of formation of a State Bank, on this scale, has been the persistent demand for a long time and we are just meeting a very long and overdue demand by the constitution of this State Bank. That is very true. This demand for the constitution of a State Bank has assumed a greater

[Shri H. C. Mathur.] force now in our present context of things, when the entire country is rebuilding its economy and particularly when we are thinking of our rural economy. The necessity for such rural credit facilities cannot be over-emphasised. It was almost expedient and the step which has been taken was almost inevitable. But we, who have a little experience of this matter, would like to invite your attention to certain very important factors. A similar pattern of State Banks we have in many of the princely States. We have a State Bank in Hyderabad; one in Jodhpur; a third in Mysore; another one in Baroda. We have got the Bikaner Bank; we have the Rajasthan Bank. It was also intended originally, though the hon. Minister has not mentioned anything at all about it, negotiations were in progress with most of these banks and all these banks were also to be taken over; there cannot be different State Banks functioning. In these State Banks, also, the majority of the shares are with the Government concerned. The majority of the Directors are the nomination of the Government and the Government is supposed to exercise a great control. But if you examine the working of these banks, you will be disillusioned and distressed to know that so far as, say, the Bank of Jaipur is concerned, it is supposed to be a 'Potdar' concern; so far as the Bank of Bikaner is concerned, it is supposed to be a 'Daga' concern; so far as the Bank of Jodhpur is concerned, it is supposed to be a 'Bagla' concern. Similarly, in this Bill we have got absolutely the same pattern as there. The State control is there; the number of Directors is there; all the healthy provisions are there. But what hap-

19 w— pens is exactly as I IZ NO* have told you. Who does not know the scandalous state of affairs that is rampant in the Bank of Hyderabad? The reserve Bank is conducting examinations. But in spite of this, the banks are there to cater to certain particular industrial concerns, and in spite of the Government's attention being drawn repeat-

edly to these measures, we know it for certain that the scandalous state of affairs continues. Not only it continues, but it goes on absolutely unchecked, and in an accentuated form. Lakhs and crores of rupees are given as advances. It cannot be argued, Sir,

SHRI GOPIKRISHNA VIJAIVAR-GIYA (Madhya Bharat): They do not have a majority of Government directors.

SHRI H. C. MATHUR: I think- the hon. Member is wrong. We have a majority of the shares in all these banks. The State control is there absolutely. And there is absolutely no reason why the State control should not be exercised. There is no reason why the instructions given by the Reserve Bank, when the Reserve Bank's inspection is there are not to be followed. But I am talking of the actual facts. And let us not be carried away by the impression, Sir, that I am talking of only particular States. We know that the state of affairs in the Central Government is more scandalous. Don't you know about the autonomous bodies which have been taken under the control of the Government, and which are now considered to be the sinews of the public sector, and which are supposed to cater to the needs and the demands of the public sector? What is happening there. Sir? Every Member here knows as to what happened about the Industrial Corporation, and how the money was utilised, in spite of the fact that the Central control was there. The Government control should have been there, but we know for certain how the moneys are being utilised. Mr. Chairman, I wish this to be taken serious notice of. When all the time we are thinking that we are having nationalisation, we are under an absolute disillusion. As a matter of fact, what happens is not nationalisation, what happens is that the State is not getting any control over these institutions, but in a very insidious manner, it is the big business and it is the big

industry which is getting a grip over what we call to be the autonomous bodies, and what we call to be the State-controlled institutions. That is exactly what is happening, not only in the States, but also here in the Centre. I do not see, Sir, how we are going to guard against that danger. I can understand the mixed economy where the private sector is functioning on its own. The big businesses which used to float banks of their own, put some of their own money into them and collected some money from their own relations, and exploited it for their own purposes, and they at least underwent certain risk of their own reputation. But what happens now is that all the money is provided by the Government, or a major part of the money is provided by the Government, and it is called a public sector, and the big business people who are there in it do not run any risk of their own money, and do not run any risk of their own reputation. But they are only exploiting what is considered to be a public sector. And, Sir, if anybody has any eyes to see, he will observe that silently and slowly that process is developing every day. And that is the most dangerous thing to which the attention of the Government should be drawn. And after a few months' time or after a few years' time, we are told about another scandal of the same nature about which we have been hearing so far. That is why, Sir, our friends sitting here have proposed a cent per cent share to be owned by the Government. We have gone a little slower. We have proposed about 75 per cent. But, Sir, I wish that even if the share capital is 55 per cent., some ways and means must be devised, and some confidence must be instilled in the mind of the people that this State Bank is going to be run on really sound lines, not in the interests of the directors who will manage to find a place there, but in the best interests of the country and of the rural credit.

It may be said, Sir, that out of the 20 directors only 6 directors are to

be from the big business, or are to be the shareholders, and 14 of them are to be nominated by the Government. Anybody, Sir, who is acquainted with the ways and means, and with the experience and with the cleverness with which the affairs are managed, will be able to say that the people who are nominated by the Government—most of them—are so much engaged in other duties, and they are so much taken up with most of the other duties that they know very little of what is happening in the bank. They have no personal interests, and they have no real insight. They do not work with that selfish motive with which these people are managing the affairs, and they are able to take them off their feet and get things done. Now, Sir, that is why we very strongly wish to urge this point, and we hope the hon. Minister would give us some assurance that we are not going to be faced with any of these dangers in this matter.

Now, Sir, coming to the question of compensation, you will remember that when we passed the Constitution (Fourth Amendment) Bill, this House set an example by giving its unanimous support to it. The Members of the Democratic Party, Sir, did not vote, and as a matter of fact, they abstained from voting, when the Bill was discussed in this House for its reference to the Joint Select Committee, because we felt that the Bill was confined only to the acquisition of land, and industry had been purposefully left out of its purview. We abstained from voting, although we very much wanted that whatever little good the Government was going to do should be supported. But we wanted that it should be comprehensive enough and it should be able to cover cases like these. But when the Joint Select Committee made an improvement upon it, and when the Bill came before this House, we, to a man, voted for it. But, Sir, our enthusiasm and our expectations have been wholly belied.

[Shri H. C. Mathur.] I do not understand the policy of the Government, particularly in regard to this matter. My friend has, while giving the background and the history, told us how the Britishers had acted to drain wealth from the rural areas, and how they fostered the urban population, and how it is the policy of this Government now to give greater and greater facilities and to recoup the health of the rural population. But, Sir, when it comes to the actual working of it, when it comes to taking the real steps, we find that it is only again the rural areas that are being dealt with in a most step-motherly manner. So far as the rural areas are concerned, we want to go ahead with the acquisition of property. We want to acquire the property. We are going to fix a ceiling over the holdings. The ceiling has been fixed, as we all know, at 30 acres or 40 acres. The land has got to be acquired; full compensation is not to be paid. Even to these small and poor people, compensation is not to be paid, because the State Governments cannot afford to pay it, because the Centre cannot afford to pay it. I do not know how this policy is consistent with what we are doing by way of paying compensation to the shareholders. Sir, the hon. the Finance Minister, while speaking in the other House, wanted us to believe that some of them were widows and minors. Who are these widows and minors? With the exception of a few here and there, are not these shares mostly in the hands of people who are very well to do?

DR. SHRIMATI SEETA. PARMA -NAND (Madhya Pradesh): Forty per cent of these people do not even pay income-tax. That shows that they are not well to do, that these shares are really in the hands of poor people.

SHRI BHUPESH GUPTA: But their husbands may pay income-tax.

SHRI H. C. MATHUR: Sir, the question of paying income-tax is

absolutely inapposite here. I do not know how anybody who is in possession of these shares can be compared, so far as their economic standards are concerned, with the peasant in the village who is just in possession of, say, thirty, forty or fifty or sixty acres of lands. When you acquire land from these people, you do not give them full compensation. Why, I do not know. But if you feel that for the rapid advancement of the country, for the rural reconstruction of the country, you cannot afford to pay full compensation, we agree to it, but when I find such an unsound policy pursued in this Bill, I cannot subscribe to it; I cannot support the provisions of this Bill. But I am prepared to say this: Let those people who possess, say, shares worth Rs. 2,000 to Rs. 5,000 be paid what they actually paid for them *plus* 6 per cent interest. Let it be calculated. There is no reason why you cannot do it. Let us find out what each shareholder had paid for his shares and then let us pay them in addition 6 per cent interest per annum. I also understand that dividends up to 15 per cent, 16 per cent and 17 per cent have been paid to them all these years. Even if they go to court, the court in the ordinary course would not allow more than what they had paid for it *plus* 6 per cent interest or at times even 9 per cent interest. Even 12 per cent and 15 per cent interest will be characterised by the court as usurious. There is no reason why we should not pay these shareholders what they had actually paid for their shares plus a little interest added to it or something by way of damages. While we work this out, we will have also to calculate what they have received all these years by way of dividends. If during these ten years a shareholder has received, say Rs. 700 or Rs. 800, at all that amount will be taken into consideration in fixing the compensation. I am not talking of expropriation. I am prepared to give him what he had paid for his shares plus any interest which may

be considered normal. That would be full and fair compensation, but in this Bill we are going far ahead of this. We are going to pay something more than even the market value. If the market value is Rs. 1450, we proposed to pay Rs. 1700. I have not been able to appreciate the justification for this.

Now, I would like to mention something about the structure of the management. In the structure of the management, the Government may of course take into consideration the big business, but there is another aspect which should also be taken into consideration. What provision do we make here in this Bill for the representation of the people who are interested in rural credit? After all, as it has been made out in this Bill, the main purpose is to extend facilities for rural credit. So, it becomes absolutely necessary that the people who are interested in rural credit should also be there on the management of this State Bank. I would, therefore, very strongly urge that at least one or two of the directors should be from the rural sector interested in rural credit and who really represent the peasant and farmer and who know his needs in this regard. Sir, it has been very wisely put into this that we want among the directors people who are experienced. But what do they mean by experience? If they mean by this people who are already managing directors or chairmen of banks, then this is another way of stipulating the qualifications in such a manner that only the vested interests get deep into this. We propose that people with working knowledge should be permitted to be there on the directorate. It is not actual experience but working knowledge which should be made a condition precedent. Working knowledge is quite different from actual experience which has been mentioned here.

Again, Sir, I wish to mention something about the pay structure of the 40 RSD.

staff of the Imperial Bank. You will remember that, when this matter was mentioned, the Prime Minister made a very indignant remark about it. He said that he did not know what the salaries of the big guns in the Imperial Bank were but said that, if the salaries were too high, they must certainly be reduced. We have been given absolutely no assurances here regarding the salaries that we are going to pay. At least the ceiling should have been fixed. I fear that even the remarks of the Prime Minister seem to go absolutely unheeded. You will remember that when I put a question about the salaries that were obtaining in the Reserve Bank, I found that, in spite of the remarks made by the Prime Minister, the Finance Minister did not care even to go into the matter. On the floor of the House, he admitted that he did not even know whether the Governor of the Reserve Bank was getting more than Rs. 5000. That is the attention which is paid to the feeling expressed on the floor of the House; that is the attention which is paid to the remarks and assurances given by the Prime Minister. The Finance Minister did not even know that the Governor of the Reserve Bank was getting Rs. 6,500.

DR. SHRIMATI SEETA PARMA-NAND: The Finance Minister was himself the Governor of the Reserve Bank once. How is it possible that he did not know what the Governor of the Reserve Bank is drawing?

SHRI H. C. MATHUR: Mr. Guha admitted that he did not know it. Why the hon. Member interferes unnecessarily, I do not understand, Sir, I wish to emphasise and to invite attention again to the observations made by the Central Banking Enquiry Committee. They had recommended strongly that the salaries should be brought down to Rs. 2000 and Rs. 2000 should be left to be the maximum. If for any reasons for a short while we want the maximum salary of the Head of this Bank to be more, let

[Shri H. C. Mathur.]
 it be stipulated that for the first five years it would be Rs. 3000 or so. But leaving the Head of the Bank, nobody else will get a salary of more than Rs. 2000. This sort of assurance must be given to us. I would suggest that so far as class I officers are concerned, their salaries should be rationalised. Let those people who are just beginning their service and who are on the lowest rung, get a little more. You start them on Rs. 350 which is too insignificant. I made very strong observations about this matter when we were discussing the Indian Administrative Service Rules. I would suggest that the class I service be put in the Grade of Rs. 500-30-800. Again there must be an efficiency bar and then increment of Rs. 40 up to Rs. 1200 which will mean about 20 years' service and then the selection posts should be of Rs. 1200 to Rs. 1500 with Rs. 50 increments per annum. It makes it about 26 years. Then there are selection posts which carry a salary of Rs. 2000. If we do not do this at this stage, we will certainly be giving an impression to the country that we are continuing exactly the same policy which the Britishers had followed. You want to have a drive that the people should go back to the villages. How can anybody in the villages manage? How is anyone who goes and settles down there going to have an income of more than Rs. 250 per month? Taking the best of land and taking out the expenses, how is any family going to get an income of more than Rs. 250? How do you suppose that the people will be tempted to go and live in the villages? How do you think, with your present arrangements where education of a young man costs Rs. 150 a month, that any of the villagers is going to educate their sons.....,

MR. CHAIRMAN: It is time.

SHRI H. C. MATHUR: I will finish in two minutes. So this is the minimum which I am demanding. As a

matter of fact is there going to be any reconciliation between what you say and how you act? We are certainly forcing the best people who are living in the rural areas to come to the cities. Anybody who goes and lives in the rural areas cannot afford to educate even one of his children. How do you think that he is going to afford to spend Rs. 150 per month? There are many other observations but I will take them when the clause by clause consideration is taken up.

SHRI K. S. HEGDE: Sir, this Parliament is in a very privileged position in enacting these important economic, social and socio-economic legislations. It was only yesterday that we passed the Anti-Untouchability Bill and it is in the fitness of things that we are dealing with the State Bank Bill today.

[MR. DEPUTY CHAIRMAN in the Chair.]

I have great pleasure in welcoming this Bill which tries to convert the Imperial Bank into a State Bank of India. The indictment against the Imperial Bank is a long and varied one but it is unnecessary to flog a dead horse. It has been imperial in every sense of the word and it has always been the handmaid of British imperialism and the sooner it dies, the better for the country.

Now, coming to the provisions of the Bill, a good deal of criticism has been levelled by Mr. Mathur about the character of the Bill, first of all that it is not nationalisation in the true sense of the word and, secondly, as regards the provision for compensation. I shall deal with them one by one. I really wonder, what exactly is the argument in favour of full-fledged nationalisation. I have failed to hear it from Mr. Mathur. If I have heard any argument or logic advanced, that was against the very proposition he was trying to advance. It is undoubtedly true that banking institu-

tions must be regulated and so utilised as to serve the needs of the country, to advance the economy of the country; but merely for the sake of slogans it is not desirable to pervert the existing institutions. Mr. Mathur was good enough to say that even in a bank where there are 20 directors it would not be sufficient if 14 of them are Government nominees because the six other nominees of the private interests will be able to lead them by the nose. If that is the character of the representatives of the bureaucracy, then it is the greatest condemnation that could be offered to the representatives of the bureaucracy. If 14 of them can be made inefficient, 20 of them must certainly make it much worse. It is not an argument in favour of nationalisation.

SHRI A. C. GUHA: Out of these 14 only one will be an officer of the Central Government and another from the Reserve Bank. The remaining 12 are not officers either of the Central Government or of the Reserve Bank.

SHRI K. S. HEGDE: I was about to develop that point. But I am for the present trying to meet the arguments advanced by Mr. Mathur, who said that full-fledged nationalisation would have been in the interests of the country. We know, even in a fully nationalised industry like the Railways, how many of our officials behave in a manner consistent with the interests of the country. We know of very high officials behaving in a manner which is not worthy of commendation but probably deserves condemnation. So it is not a question of nationalising industry—it is a matter of toning up the character of the industry and the character of the concern. In this respect, especially at this stage of our development, it is but necessary that we must also seek and obtain the co-operation of persons who have intimate knowledge of banking insti-

tutions. The Government has taken through the Reserve Bank 55 per cent shares, the President of the Bank will be a nominee of the Government, the Vice-President will be a nominee of the Government and there will be just two officials. The rest of them are nominated having certain qualifications to discharge certain functions. I think, perhaps, the arrangement incorporated in the Bill is far superior to a fully nationalised bank where possibly the bureaucracy will run the Bank without the knowledge of the elementary principles of banking, who only know what exactly is done in a red-tapist manner. After all it is our concern to eat the cake and not to count it. It is not merely for the purpose of saying that we have a nationalized bank that we are going to have it but the main objective is how exactly we are going to utilize it for developing our national economy. Having gone through the provisions of the Bill, there can be hardly any difference of opinion that the Government has the fullest control over the working of the bank. It can regulate and put the institution to best use. If there is any failure, the failure is that of the Government and not of the State Bank and if there is any failure on the part of the Government, the issue is political and not economic. Now that is so far as the nationalisation of the institution is concerned. I would like to say a word about compensation. Much criticism has been levelled against offering compensation on the basis of market value. I am extremely surprised about some of the arguments. One argument that has been developed is—both in this House and in the other House—that very recently we have passed an amendment to the Constitution by which we have pledged ourselves not to pay the whole value of the property. There can be no greater insult to this House and to the other House than advancing such an argument. I don't think it I was ever intended by passing that

[Shri K. S. Hegde.] amendment that the object of the Government is to deprive the legitimate value of the property. The only object of the amendment, if I understood it properly, was that it should be non-justiciable and the decision must be essentially political in character and not a judicial one. That was the only basis on which the amendment in question was passed. The second argument that has been advanced is that the Government has pledged itself to a socialistic pattern of society. "Is it socialism? It is asked. It is almost understood by that class of people who are advancing this argument that socialism is equivalent to political robbery. It does not matter what the value of the property is but if there is a taking, take it. Take such things which you consider proper. That seems to be the line of argument advanced by friends from the Communist Party probably and from the Socialist Party

SHRI BHUPESH GUPTA: You have not heard it.

SHRI K. S. HEGDE: Communist Party does not consist of only Mr. Gupta. He is only an insignificant member thereof.

SHRI A. C. GUHA: He is the Leader.

SHRI K. S. HEGDE: That only shows the impotency of the Party.

SHR. BHUPESH GUPTA: Third rate argument.

SHRI K. S. HEGDE: We can only have abuses and not arguments from you.

Proceeding further, I thought Iism is a scientific expression—a manner of dealing with the problem *in* a systematic manner. Undoubtedly it is a question of equalising the incomes and a question of increasing the prosperity of the land. The total income of the person will have

to be considered. You should not go by isolated cases here or there. A man's share in the Imperial Bank which he holds as a shareholder may be only a part of his wealth. A millionaire may have only two such shares whereas an ordinary citizen may have ten or twenty shares. You cannot say, therefore, that the man with two shares should be paid 100 per cent compensation and the other person only a nominal amount, that is an argument which has no validity at all. If you want to realise a socialistic condition, you must have recourse to taxation measures and also capital levies. But in every case, you will have to take the full picture and take the total assets of the individual concerned.

Many loud economists who proclaim themselves as the best socialists in the land have advanced the argument that you can never have socialism unless you pay some nominal sum—the value of one share or so. There was much in the criticism advanced by Mr. Mathur when he compared the compensation that is being paid for the Imperial Bank shares and the compensation that is being paid to the landholders in different places. It was only the other day that we had a certain representation from Delhi where property belonging to the poor ryots whose total possession was somewhere about 40 to 50 acres was taken away and they were paid compensation at the rates that existed in 1939—or was it 1946? I do not exactly remember. Why this distinction is being made is ununderstandable. I have often heard the hon. the Finance Minister saying that the agricultural sector is different from the industrial one. Of course, the agricultural sector is something different from the industrial one, but I cannot understand why in the matter of computation of values, there should be any difference or distinction, whatsoever, it all. We ought to pay the proper value of the property to the man, be it an agricultural concern or an

industrial concern. The man is entitled to a fair value and that should be given to him. On the top of it, if there should be a reduction, it should be done in an absolutely systematic manner, irrespective of whether it is an agricultural concern or an industrial concern. If you fix a ceiling, then fix it for everything. You should not do it in the case of land alone. Of course, I do appreciate that in the matter of agricultural holdings, there are certain practical difficulties, there are more people dependent on land than on industrial concerns. But merely to say that because the ceiling has been fixed at 40 or 30 acres, so the compensation to be paid should be only the rental for six or ten years, seems to be extremely meaningless. I wish the practice, adopted in the matter of the acquisition of the Imperial Bank, should be adopted in all other cases of acquisition also. Wherever you take property, you should pay the fair value and fair value means not fraudulent value but the market value. After all, if you find that after paying that compensation, the man has more than what he ought to have, then take away what you want, by taxation or by a capital levy. But in paying compensation apply the same rule to everybody, and not one set of rules to some people and another to other people. It is from this point of view that I am supporting the compensation provision in this measure. I feel that Government have at last realised that there should be one way of paying compensation and that that way is to pay compensation based on the market value. It should be the same basis, for all classes of people, be they agriculturists or be they industrialists. It is only on that basis that I am extending my wholehearted support to the compensation clause provided in this Bill.

Sir, this Bill has been heralded as a great boon to the agriculturists. Agriculturists in the past have been ignored. There were many commis-

sions and many committees which paid lip sympathy to the agriculturists, but they all ultimately came and said, "Well, we are unable to do anything", and they lifted their hands to heaven. Ever since the report of the Royal Commission on Indian Agriculture, in 1926, this matter has been examined many times. But out of all this mountain in labour came out only the proverbial mouse.

AN HON. MEMBER: Not even a mouse.

SHRI K. S. HEGDE: My hon. friend here disputes even that, and there is something in that dispute. But now, it seems that a more encouraging step has been taken. What exactly will be the effect of it, we have to wait and watch. I am prepared to wait and watch. So far as the State Bank is concerned, it is now going to be used as the instrument to irrigate finance to the agriculturists. That at least is the claim made on behalf of this Bill. I am not able to draw as optimistic a picture as the hon. Minister was able to. He said the villagers have no money. They have to be financed. So we are going to open branches. But how many? Four hundred branches are to be opened. But what is 400 in a country like India where we have 360 million people? There are much more than five to six thousand villages.

SHRI H. C. DASAPPA (Mysore): We have five and a half lakh villages.

SHRI K. S. HEGDE: I am sorry. We have more than five lakh villages, and.....

SHRI BHUPESH GUPTA: Instruction is not one of his qualifications.

SHRI AKBAR ALI KHAN (Hyderabad) : Probably he was thinking of the State.

SHRI K. S. HEGDE: But, Sir, I am told that statistics is the highest form of lie. I don't know whether that is unparliamentary, anyway I am not going to indulge in it.

I will only say that 400 branches of the State Bank will not be able to effectively yield the result. So other institutions will have to come and these other institutions are the cooperative societies. But then they are proposing to irrigate finance by a very lengthy process. The Central Government is going to give loan to the State Government. The State Government is going to loan the money to the Apex Bank. The Apex Bank will give the loan to the Central Bank and the Central Bank is going to loan the money to the Primary Bank.

SHRI P. S. RAJAGOPAL NAIDU (Madras): No, no. If I may point it out to my hon. friend, the Central Government provides credit through the Reserve Bank to the State Cooperative Banks, on the undertaking given by the State Governments.

SHRI K. S. HEGDE: My hon. friend as a good co-operator is trying to simplify the process; but all the same, the result is that the Reserve Bank, on behalf of the Central Government, has to give the money to the State Bank and the State Bank pays it to the Apex Bank.

SHRI P. S. RAJAGOPAL NAIDU: Yes, direct to the Apex Bank.

SHRI K. S. HEGDE: What does it all come to? The interest of 1J per cent finally develops to about 10, or 11 or 12 per cent—the money-lender's rate. We are all out against the money-lender. But even in most mortgages, the interest is not more than 12J per cent. I am not sure that the hon. Minister is going to give the agriculturist loans at any-

thing less than what the moneylender has been giving up to now. And so it does not serve any purpose whatsoever.

Another point is this. I do not know whether whatever has been expected of these 'co-operative societies' has been realised. It is universally acknowledged, as a matter of fact, and the hon. Minister has also said it on the floor of the House, that the co-operative movement has been a failure. He said that there are two honourable exceptions—Bombay and Madras. I don't know, but

BEGAM AIZAZ RASUL (Uttar Pradesh): And U. P.?

SHRI K. S. HEGDE: Anyway, he did not mention U. P. Hailing as I do from Madras—and I think others also will agree with me—that the general judgment or verdict is that the co-operative movement in Madras is a colossal failure.

It is true that you are dependent on very slender roots if you think that the co-operative movement is going to finance the agriculturists. It is only in a desperate hope we are trying to rely upon the cooperative movement. The co-operative movement in India has got some inherent defects. It mainly depends on honorary workers and honorary workers, as a class, have failed in this country. The co-operative movement depends, to a great deal, upon the civic responsibilities and civic sense and we are yet in the process of building up a civic sense and civic responsibilities. More than that, it does not take note of the village factions. These things are very important pre-requisites for a successful working of the co-operative movement; these pre-requisites are not existing and as such, I do not know whether our hope that the

co-operative societies are going to finance the agriculturists will come true. I shall be only too glad if it comes true, but I have got my own fears. I would, therefore, respectfully implore the Government to consider whether they should put all the responsibility on the co-operative movement and ultimately, if it fails—God forbid it—to say that we have gone on a wrong track. On the other hand, I would request the hon. Minister to consider another aspect of it. There is a large scale banking movement, at least in some parts of India; there are a number of banks and institutions. Some of them are good, some of them indifferent and some of them quite bad but all these could be integrated and made to serve the purpose which you are intending to do today. In many districts, there are as many as 30, 40 or 50 banks. If you can amalgamate these banks, put them on a rational basis, regulate and control them, these banks can serve as useful channels of financial irrigation. Those banks will be able to collect these savings from the country, pool them together and irrigate them in a manner consistent with the banking principles. Anyway, they are experienced in the job; the persons who are running the cooperative movement in India need not be and may not be. There are two possibilities; there is the possibility of entirely nationalising the banking institutions. This is one way of doing it but the point is whether to entirely nationalise it. That is a Herculean task and our bureaucracy is not yet up to it. I do not think that our bureaucracy at this stage of our development will be able to run a nationalised banking industry. On the other hand, I would suggest to the hon. Minister to consider this point. There are certain vague expressions in the Bill itself, I think it is clause 35 and in a few other clauses, Wherein there is mention of amalgamation, but amalgamation with the State Bank. That is not necessary. You take powers to amalgamate the banks

into one group and then control them. The working may be left in their hands; they are experienced and their experience may be exploited, their ability may be taken advantage of but their purpose could be regulated by the Government. If we so plan, so distribute the branches and so regulate the activities, we can make very big use of the existing banking institutions. I should think that our direction must proceed on those lines rather than depending upon the broken reeds of the co-operative movement. If you want the co-operative movement, then try to integrate it with the other commercial banking system—if I may correct myself, the banking system, because it can only be a banking system, not commercial—by which way we may convert these banks into purely agricultural banks, purely commercial banks or, in certain places, a combined working of the two. If you can take power and say that certain banks must be located in particular places, and that activities must be confined to particular type of business and then watch, that probably will serve our purpose far better than what we are contemplating under this Bill. Sometimes we must take courage in both hands; in this matter, we must exploit our experience but at the same time, a bolder step is necessary. Committee after committee has examined the working of the cooperative movement. The Royal Commission in 1926 did it. It came to the conclusion that the co-operative movement has failed yet, out of sheer helplessness, we shall depend upon it. Similarly, the present enquiry committee also comes to the same conclusion that the co-operative movement has failed and yet we shall depend upon it.

SHRI P. S. RAJAGOPAL NAIDU: They do not go together.

SHRI K. S. HEGDE: My hon. friend says that the strong language that I am expressing is not there. It is

[Shri K. S. Hedge.] because I am advocating a particular cause but they were trying to put it in mild terms. I am emphasising the idea whether it is not too late to consider the question of integrating the other banks and institutions into the present set up and trying to see that these banks and institutions are made to serve the purpose that we have in view. Whether it is possible in this Bill or not, I am quite sure Government will give their anxious consideration to this aspect and will see that some amount of order is brought into the banking system where there is chaos at present. There is cut-throat competition and there is inefficient working. Many banks have gone into liquidation. The history of the banking institutions, particularly in West Bengal and some other States, will show how pathetic it is and how many people have been ruined. These institutions which have got very potential strength for utility are being run by inefficient hands and are working at cross-purposes. It is for that reason, I should think, that a re-thinking is necessary and re-planning is necessary and I am quite sure that the Finance Ministry will give its best attention to this matter.

With these remarks, I commend this Bill for the acceptance of the House.

SHRI B. C. GHOSE: Sir, this Bill seeks to implement one of the recommendations of the Gorwala Committee. Its objective is, I believe, to strengthen the co-operative organisation and enlarge the quantum of financial aid that may be made available to the agriculturists. To the extent that these objectives can be fulfilled, they deserve our hearty support but as to whether they can be realised is a moot question.

Before I come to some of the clauses of the Bill, there are certain

questions to which I should like to have an answer, questions bearing upon matters of policy. In the first place, I should like to know whether Government have accepted all the recommendations of the Gorwala Committee. During his speech introducing this Bill, the hon. Minister stated—if I have understood him correctly—that they have been accepted subject to such adaptations as Government may make. Now, that would imply that the Government have not, as yet, made up their mind as to whether they accept all the recommendations or not. There are a number of Funds which, the Committee has suggested, should be set up. I asked last time, in connection with the Reserve Bank Amendment Bill, as to what is going to happen about the National Agricultural Credit Relief and Guarantee Fund. Do the Government also propose to set up that Fund? Then, there are also certain things to be done under the State Governments. What action has the Central Government taken or is taking to see that those recommendations are implemented by the State Governments?

The second point on which I should like to have a clarification is whether Government have taken a decision for the amalgamation in the new State Bank of all the ten State associated banks mentioned in the Report. Now, those ten State associated banks include certain Banks—at least one which is one of our largest commercial banks. Has the Government come to a decision?

SHRI C. P. PARIKH (Bombay): What is that bank?

SHRI B. C. GHOSE: That is the Bank of Baroda. I did not want to name it specifically but since it has been asked, the name is the Bank of Baroda. I should like to know if Government have taken a decision on that matter.

Thirdly, I should like to know whether Government have formulated any policy about the private agencies which are providing rural credit today. Is it Government's intention that their field should be progressively restricted and finance to the agriculturists should be provided more and more through institutional agencies? If that is so, then the question as to what the institutional agencies can do becomes an important one and I am sure I share some of the misgivings given expression to by my hon. friend Mr. Hegde about the efficaciousness of the measures now proposed. Now, what are they—the measure which we passed the other day and the measure which has been placed before us today—likely to achieve? In the Reserve Bank Amendment Bill, we have approved of the setting up of two Funds.

Only one has the responsibility of lending money to the State Co-operative Banks so that that money can again be re-lent to the Co-operative Organisation and can flow down to the institutions below. Now the amount that has been made available is Rs. 10 crores.

Then let us take another institution to which the Finance Minister referred the other day as an agency of very great usefulness, namely, the National Co-operative Development and Warehousing Funds and the Warehousing Corporation that will be set up under it. Now that Development fund will be given an amount of Rs. 5 crores to start with of which I believe warehousing will get Rs. 2 crores, which will assist the marketing operations of the agriculturists. Now to what extent will that be able to meet the needs of the agriculturists? To start with there will be provided Rs. 10 crores through the Reserve Bank and Rs. 2 crores through the Warehousing Corporation. That is all. At the moment the co-operative organisation pro-

40 RSD.

vides about 3 per cent of the total rural finance and the State Governments another about 3 per cent. I believe even when we would have enacted these measures, the quantum of assistance given by these institutions will not be more than 7 or 8 per cent. The remainder will probably still have to be found by private agencies.

SHRI C. P. PARIKH: Is not all that amount by way of medium term credit?

SHRI B. C. GHOSE: I have referred to the total amount of credit that will be needed by the agriculturists whether it is medium term credit or any other type. It is a medium term credit so far as the higher co-operative institutions are concerned. When it comes to the primary bank, it is certainly being given to the agriculturists.

SHRI C. P. PARIKH: Is it not true that short term credit is unlimited?

SHRI B. C. GHOSE: It is not unlimited.

SHRI C. P. PARIKH: It is unlimited.

SHRI B. C. GHOSE: It is not unlimited. The total requirement has been estimated at Rs. 750 crores and it may go up to a Rs. 1000 crores gradually, but the institutional agency for providing that is very limited at the moment. That is why I wanted to know as to what is the Government's policy, if they have formulated any in regard to the private agencies. I am sure that probably the hon. Minister will say, "We are not going to interfere with the private agencies, the private sector continues. We are providing additional funds so that the agriculturists may benefit." Now that is all very well, but that would amount to saying that the existing situation continues,

(Shri B. C. Ghose.)

that we are not bringing about a radical change in so far as the provision of rural credit is concerned and that at least for a period of say 5, 10 or 15 years the basic structure will continue to remain the same for provision of rural finance.

Then, Sir, I come to the question of structure, institutional structure to which I referred last time and I said that I did not understand as to why certain functions were being allotted to the Reserve Bank and were not being entrusted to the State Bank. Now the Finance Minister in replying to that point stated, "I cannot understand how the State Bank can take up this long term credit work how the commercial bank can take this long term investment to continue to 20 years", as if the Finance Minister intended to imply that it was the Reserve Bank which was the proper agency to give this long term credit and as if the commercial banks could not give these long term credits and as if commercial banks in any country of the world are not undertaking long term credit and as if there have not been investment banks providing long term finance to industry in any other country. Now that is a matter I do not want to dilate upon because all that I wanted to say was that commercial banks have given long term loans—although I am not in favour of it—but in no country has the Central Bank given long term credit. Now we have also to take into account the fact that the amount that will be made available by the Reserve Bank through this fund is guaranteed when it is given to the Co-operative Organisation by the respective Governments; there is no question of losing the amount. Whether it is made available through the Reserve Bank or the State Bank, it is made available only after the State Government's guarantee has been received.

Then, Sir, it appears to me that the scheme of rural credit organisation visualized by the Gorwala Committee is that the Co-operative Organisation and the State Bank must act in close association. The State Bank has been proposed to function as the banker of the Central or the Apex Co-operative Banks. That means that it will be the State Bank which will be always closely allied with the Co-operative Organization. As a matter of fact branch offices of the State Co-operative Banks and the Central Co-operative Banks have been recommended to be located in the same building where the State Bank branches will be set up.

SHRI P. S. RAJAGOPAL NAIDU: At the sub-divisional headquarters.

SHRI B. C. GHOSE: Yes, at the sub-divisional level; it does not go further at the moment. But if branches were to be set up in areas other than sub-divisional headquarters, I believe the recommendation will be the same.

Then, Sir, we have to realise, when we speak of the Co-operative Organisation, that it is doubtful if the Co-operative Organisation will be able to provide much financial assistance to the agriculturists. On that point I have already stated, I am to a large extent in agreement with my friend Mr. Hegde. Now the establishment of the State Bank opens a new vista. It is branching out into the country-side and it may be enabled thereby to obtain savings from rural areas. Unless we can get more savings, we cannot make more facilities available to agriculturists through institutional agencies. So here is an organisation which will be better able, I believe, to help the agriculturists than the Co-operative Organisation. I am not against the Co-operative Organisation if it can be strengthened and if it can be made to make funds in sufficient quantity available to the agriculturists. But

my fear is that that is not likely at least during the period that we can visualize now and it will be the State Bank which will have to play a more important role and the Co-operative Organisation should therefore be linked up through the State Bank and of course the Reserve Bank stands behind both the organisations.

The hon. Minister also made a point that the Imperial Bank is the largest commercial bank. That is true. That has been true until now. I doubt very much if that character of it will continue in future. Knowing our businessmen as we do, I have an apprehension that now that it is becoming a State-managed institution they will transfer their business to private banks and that the State Bank will be losing gradually its commercial character. Businessmen carry on various types of devious undertakings and a bank in which an account is maintained has sometimes access to all kinds of information. Businessmen therefore will not like that this information should be available to a bank which is managed by the State. I am therefore sure that the commercial part of the Imperial Bank's work will gradually begin to dwindle.

Finally, Sir, on this point, the structure that has been suggested by the Survey Committee and accepted by the Government appears to me to be a sort of three-tier organisation. There is first the Reserve Bank, then there is the State Bank, then there is the Co-operative Organisation. all working on the same level. I stated last time that the functions given to the Reserve Bank in this connection are of the nature of detailed functions. For example, the Survey Committee Report says that "extremely important in this connection would be the responsibility of the bank to ensure that the accommodation given by the Bank is in fact channelled effectively to all classes of credit-worthy cultiva-

tors. It is important to ensure that loans are not taken from the Government and then dissipated in part for purposes other than agriculture or denied to those who, while qualifying for the credit, also need it the most." Now, to have this service performed through the Agricultural Credit Department of the Reserve Bank is, I think, not good.

MR. DEPUTY CHAIRMAN: Will you take more time, Mr. Ghose?

SHRI B. C. GHOSE: I will take about 10 minutes more. I have already taken about 10 minutes.

MR. DEPUTY CHAIRMAN: No, you have taken 15 minutes.

Now, I have got 14 names more with me. Even if Members take about 15 to 20 minutes, we can go on with the first reading till one o'clock tomorrow and two and a half hours will be left for the second and third reading. If necessary we can sit through the lunch hour tomorrow. So today we can adjourn for lunch.

SHRI BHUPESH GUPTA: But why should we adjourn, Sir? Sir, I want to make a submission. There will be a lot of amendments and there will not be sufficient time left.

SHRI M. GOVINDA REDDY (Mysore): Sir, tomorrow we may sit through the Lunch Hour and also after 5 P.M. if need be. But today we can adjourn for Lunch.

MR. DEPUTY CHAIRMAN: Yes, I think there will be sufficient time, even if Members take 15 to 20 minutes each.

The House stands adjourned till 2-30 P.M.

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

The House reassembled after lunch at half-past two of the clock, Mr. Deputy Chairman in the Chair.

SHRI B. C. GHOSE: Sir, I was speaking about this State Bank and I was suggesting, as I did last time, that the functions and responsibilities now being entrusted to the Reserve Bank for providing assistance to the co-operative organisations might be entrusted to the State Bank.

Finally in connection with questions of general policy on which I wanted information, I should like to know as to how the Government intended to correlate the activities of the different Ministries entrusted with the task of assisting the agriculturist by providing him with finance. It appears now that there will be two Ministries primarily involved, the Finance Ministry and the Food and Agriculture Ministry. Now, these two Ministries have their own work and I think that leaving this very important function to two Ministries, already overburdened with their own work, will not be a very satisfactory state of affairs. I would, therefore, like the Government to consider whether it would not be more desirable to set up a separate Ministry for rural development, entrusted with the work of providing finance and looking after other developmental work in rural areas. You will remember, Sir, there is another function entrusted to this organisation, particularly the State Bank, to which the Finance Minister had also referred, namely, assistance to rural industries. All that comes under the problem, we might say, of developing the rural areas. That is a very wide subject, it is a very important one; and I feel, now that the Government have taken certain steps to, let us say, rehabilitate the rural areas, that this task might be entrusted to some separate Ministry.

Coming to the Bill itself, I have to say only a few things, two or three matters I want to refer to. First, about

compensation on which I do not want to say anything much because my friend, Shri Rajendra Pratap Sinha, will deal with it more exhaustively. All that I want to say is that we feel extremely unhappy about the provision in the Bill with regard to compensation. That unhappiness, I believe, is shared also by a large section within the Congress Party itself. It does not seem to me that the compensation that has been proposed is at all fair and just; it is no fair and just to the country. And the only reason that, I believe, has been weighing upon the Government for not deviating from the formula suggested is that a commitment had been made and announced. All one can say is that before the commitment was made and announced, the Government should have given more serious thought to the matter and not have suggested the formula incorporated in the Bill.

The next point I want to refer to is about the head offices. Now, the principal office is to be located at Bombay only. In the original Imperial Bank of India Act there were to be three principal head offices at Bombay, Calcutta and Madras. I should like to know what has been the difficulty in continuing that arrangement. I have proposed an amendment suggesting Calcutta, in addition, but when moving it, I should like to include, with your permission, Sir, also Madras.

SHRI H. C. DASAPPA: Good.

SHRI B. C. GHOSE: Because that point I had overlooked, it came to my mind when I consulted the actual Act.

SHRI S. N. DWIVEDI (Orissa): Mr. Dasappa will vote for you.

SHRI B. C. GHOSE: There are two principal reasons which I should like the Government to consider. First, the organisation has continued in that form, I do not think it has presented any very great difficulties. Secondly,

there has been a tendency—a matter to which I had referred informally the other day—towards medical concentration in Bombay. And as we do not like any kind of concentrations or monopolistic tendencies, whether in politics or in economics or in finances, it is desirable that there should be some dispersal of financial power. It would be better that the head offices should be in other places also. It has been suggested that the State Bank will have to work in very close co-operation with the Reserve Bank and it would, therefore, be desirable to have both the Head Offices in Bombay. Now, this is a very specious argument. The Reserve Bank has also to work in very close co-operation with the Government and that has not been adduced as a reason for transferring the head office from Bombay to Delhi. The seat of the Government is in Delhi. Therefore, I should very strongly urge the Finance Minister to give his thought to this matter. In the relevant clause it is stated that the principal Head Offices may also be in other places. Clause 16(1) says: "Unless otherwise provided by the Central Government, by notification in the Official Gazette, the central office of the State Bank shall be at Bombay." I would very strongly request him to take advantage of this provision and give us an assurance here and now that the head offices or central offices will also be located in the other places.

Thirdly, about shareholding and clause 11 (2) where there is a limit put upon the amount of shares that an individual can hold for the purpose of receiving dividends or exercising voting rights. I have no quarrel against the percentage suggested but I thought that it would apply to the shares that would be made available to the public, not the whole amount of the issued Share Capital, because fifty five per cent, will be held by the Reserve Bank. I see no point in making one per cent, to be held by an individual to apply also to the amount of shares that will be held by the Reserve Bank.

SHRI A. C. GUHA: The hon. Member may just see the amended clause. There is no percentage mentioned here now.

MR. DEPUTY CHAIRMAN: The amended clause as passed by the Lok Sabha.

SHRI C. P. PARIKH: The one per cent refers to voting by corporations.

SHRI B. C. GHOSE: There is about one per cent, or something (*Interruption*) I am sorry, I was probably confused by the original Bill. I admit it. Sir.

MR. DEPUTY CHAIRMAN: It is time. Mr. Ghose.

SHRI B. C. GHOSE: Then, Sir, as regards clause 19 (1) (c)—election of regional directors—the qualifications of 25 per cent, should apply only to shares allotted to the public. Is it time, Sir?

MR. DEPUTY CHAIRMAN: Yes.

SHRI B. C. GHOSE: Then, Sir, I will stop here. I do not want to take any more time.

SHRI C. P. PARIKH: Mr. Deputy Chairman, I rise to support this Bill, and I think it is a landmark in the history of agricultural economy in India. Our agriculture was exploited for the last two hundred years and this is the first sign of supplying credit to it. By various measures, the Government had thought it fit to supply irrigation facilities, seed, manure, implements, tools etc. But the credit side of the whole economy in agriculture was lacking, and that is going to be supplied by this Bill.

Now, Sir, it is necessary to go into the credit side of agricultural economy in the rural areas. At present, Sir, credit is given through the Apex Bank, the Central Bank, the banking unions, and the primarily co-operative societies for agricultural or non-agricultural purposes. Now this credit is dispensed to a very small extent.

I Shri C. P. Parikh.]

Let us see, Sir, the development of the present co-operative movement in India. The number of primary agricultural credit societies is 1,08,000 and the total membership is about 48 lakh persons. So, out of 4 1/2 crores of families in India, only 50 lakhs of families are members of these societies. So one-ninth of the agricultural population forms the membership of the co-operative societies. But this is not the full picture, because the agricultural credit societies which are existing in the country today are more or less, I should say, in a tottering condition. And that can be seen from how they are working. The average membership of these societies is 44 members; the share capital per society is Rs. 827; then the average share capital per member is Rs. 19; then the average deposit per society is Rs. 408, and the average deposit per member is Rs. 9. The average working capital per society is Rs. 4,200, and the average working capital per member is Rs. 95. So, practically, our resources are nil, and the societies that are existing at present are existing only in name. It was therefore that the Reserve Bank appointed the Rural Survey Committee to go into this problem. And Government have tried to implement the report in its fundamental parts. There will be a contribution of share capital to the extent of 50 per cent. At present, the co-operative societies are receiving advances from the Central and the Apex Banks to the extent of eight times their paid-up capital and reserves, their resources. I mean. Now, Sir, by this contribution, they will be getting 16 times their present paid-up capital. But that is not sufficient, Sir, because it has been pointed out time and again that Rs. 800 crores are required for rural credit. And it is very well to understand what these requirements are. And these requirements should be divided into long term credit medium term credit and short term credit. As regards medium term credit and long term credit, the Reserve

Bank have supplied about Rs. 35 crores by the amendments which we passed only three days back. And the Food Ministry will provide help to the extent of Rs. 35 crores to Rs. 45 crores during the next five years in respect of medium term credit. So, about Rs. 80 crores to Rs. 100 crores will be available through the Reserve Bank on the guarantee of the State Bank for medium term credit and long term credit. So, it is no use confounding the two issues which are there as regards the medium term credit and the short term credit. Till now the Reserve Bank would have given only Rs. 5 crores. Now it will gradually give to the extent of Rs. 80 to Rs. 100 crores. The medium term credit is from 15 months to 5 years, and the long term credit is from 5 years to 20 years. Now it must be understood, Sir, that these credits are given through the Central Bank and the Apex Bank repayable within a period which may be fixed by them. Therefore, all these amounts will go a long way in the development of agriculture in various fields. In my opinion, there is no limit put on advances on the short term credit. And when no limit has been put on it, I think, Sir, it is an unlimited amount, as long as the co-operative societies have paid-up capital and the purposes for which it is required are purely of an agricultural nature. The processing of goods is also taken into account. Therefore, the village industries also come under that function. And therefore, all these moneys, which are repayable within a period of 15 months, will be available in very large amounts, and it all depends on the capacity of the co-operative societies, and not on the capacity of the State Bank or the Reserve Bank for financing them. According to the Bill, the bills which are given to the Reserve Bank or to the State Bank, will be discounted in any quantity, so long as they are for bona fide agricultural purposes, and so long as the Apex Bank and the Central Bank have given them to the co-operative societies for such

purposes. It is the responsibility of the States to develop agricultural societies, and if each State takes into its head to take advantage of the State Bank and the Reserve Bank facilities, I think, Sir, we shall be able to provide agricultural credit, on a short term basis, to an unlimited degree, or to the degree that is desired.

Now, Sir, we have to see as to what the functions of the State Bank are. The Reserve Bank is at present functioning in various places in India. Now, the State Bank, with 400 more branches which are contemplated to be established in India within a period of five years, will have so many branches in India to assist the Apex Banks as well as the Central Co-operative Banks in the matter of short term, medium term and long term credits, because the Reserve Bank will not be able to get in touch with all the Apex Banks as well as the Central Banks. So, this State Bank will act as an agent of the Reserve Bank in disbursing this credit to the degree that is desired. Mr. Hedge, I think, is wrong in his impression that there will be some charges added by these three mediums. It is expressly pointed out in one of the clauses that the offices of the Apex Banks and the Central Banks will be situated in the same building in which the State Bank's office will be situated. Therefore, it is only the question of passing on cheques and cross entries between these two bodies in the same building, because the State Bank cannot dispense credit on a short term basis to each cultivator easily, and even the Apex Bank as well as the Central Banks will have to operate through co-operative societies. Therefore, it will be the duty of the State Governments, as also of the social and political workers who are working in each area, to see that those areas which are undeveloped have properly constituted societies, and in every village, more or less, within a period of five years, every

agriculturist becomes a member of some co-operative society.

I think, Sir, a responsibility is cast on those who are critical of the pre-

sent Central Government. The Central Government has now given this facility for giving credit on a short term and medium term basis, and it is now for the State Governments and those who are critical of the Central Government to take advantage of this facility and establish co-operative societies in the rural areas till every household becomes a member of the co-operative societies. It is mentioned that the scheduled banks have 2600 branches in the whole of India and they are at present looking to the commercial and industrial side of the banking in India. I will come to that later on. The Apex Banks are 16 in India and the Central Banks and the Banking Unions are about 525. I think that, if the co-operative societies are to expand, these Banking Unions and Central Banks will also have to expand to a considerable degree. Their branches will have to expand to at least 2000 throughout India if the co-operative societies are to be given credit in the day that is necessary and in the way the problem requires.

SHRI P. S. RAJAGOPAL NAIDU: If the Co-operative Urban Banks are taken into account, they will exceed even 2000 in number.

SHRI C. P. PARIKH: I am talking of the credit co-operative banks. The Apex Central Banks and Banking Unions are only 525. This can be verified.

SHRI P. S. RAJAGOPAL NAIDU: That is correct.

SHRI C. P. PARIKH: This is urban as well as rural.

Now, I come to the question of disbursement of funds. With regard to the disbursement of funds it has been complained and rightly complained that the funds are disbursed after a great deal of formality. I think that these formalities have to be ignored, and if

I Shri C. P. Parikh.] the cultivator takes three or four months to get his credit, that will be credit denied. Credit postponed is credit denied. Therefore, there must be a rough and ready method of giving loans on the security of standing crops, as has been recommended by the Rural Credit Survey. If loans are given on standing crops, the agriculturists will be benefited. At present the co-operative societies look for proper securities. What has a cultivator to offer as security, when he is himself indebted? If we want to increase the agricultural wealth of the country, we have to take a bold stand and give advances on the standing crops, and by instalments the cultivator will be able to pay his debts. As has been pointed out by the Rural Credit Survey, even those who are indebted deserve credit. These people will be able to pay their debts now in instalments as they are now in the clutches of the landlords. The tenancy rights now are as good a security as any property. So, if loans are given on standing crops without any demand of security our cultivation will increase and the national wealth also increase.

Now, the capital of the co-operative societies will be contributed by the Apex Banks and Central Banks to the extent of 50 per cent.; wherever the co-operative societies are not working properly now, this will be a great help. Now, the additional branches of the State Bank that are going to be established in the country are 400, I think that figure is inadequate in my opinion, even though the Finance Minister has mentioned this to be the minimum. I think that he must have the courage to have at least 800 of these within the period of the next five years. With regard to short-term loans, as I have already explained, short term loans can be made available now to an unlimited degree. Even though facilities for this were existing, only Rs. 15 crores were taken by the Co-operative Banks, the Apex Banks and the Central Banks, by way of short term credit, because they have not the

organisation to make this credit available to those who want it, or to anyone who is in need, and great efforts will now have to be made to go to the door of the borrower himself and get to know his needs. At present the system in commercial banks is that the borrower comes to the bank. In this case, steps will have to be taken to start an organisation which will go in search of needy borrowers, who require money. Only in this way can we hope to increase the agricultural wealth of the country. If this method is adopted, the backward States will immediately forge ahead and we won't be having complaints of lop-sided development in the country in certain States only, because there are at present States in which organisation is not adequate, not sufficient, to take advantage of the facilities that are now available. The State Bank is the Agent of the Reserve Bank and will be shortly having in my opinion about 1,000 branches in the whole of India. The State Bank will also be the bankers of the Apex Banks and the Central Banks and the Apex Banks and Central Banks will be the bankers of the co-operative societies. In this way, the whole credit system will be built up.

PROF. G. RANGA: Are we to understand that all this money is there either with the Reserve Bank or the State Bank and will be available to the agriculturists?

SHRI C. P. PARIKH: With regard to short term credit, this money can be made available to the country. Now, the Reserve Bank in the Issue Department can issue notes against the Bills which may be handed to the Apex Banks.

PROF. G. RANGA: Does the hon. Member know the mind of the Government and does he know that the Government will place all this money at the disposal of the Reserve Bank?

SHRI C. P. PARIKH: I do not know the mind of the Government, but I

want to know the minds of the Members of Parliament, I want to see the effective voice of the Members of Parliament to force the hands of this Government for doing this. If the Members of Parliament understand this problem and are assertive, I think they will be raising the standard of agriculture throughout the country. Now, I want that our agriculture should be developed on commercial and industrial lines, and it is no use thinking that agriculture will develop by itself. Sufficient measures should be taken for this purpose, and the responsibility is cast on the State Governments to take advantage of these measures

SHRI RAJENDRA PRATAP SINHA (Bihar): How does the hon. Member think that agriculture can be developed on commercial and industrial lines?

SHRI C. P. PARIKH: My hon. friend, Mr. Sinha, forgets conveniently that in industry and commerce, whenever we want to achieve certain things, we exhaust all our resources. In a similar way, if we want to develop agriculture in the country, the State will have to exhaust all its resources for doing this. That is what I meant.

With regard to the directors, it has been mentioned that the number of directors with special knowledge of rural economy is small. I would like to point out that it has been expressly provided that their number should be not less than two. It means that the number can be five or more. The whole point is that the State Bank is there not only for agricultural credit but also for commercial and industrial credit. The latter also is very important, because, if this is neglected, agricultural development also will indirectly suffer, because it is the industrial sector which processes some agricultural goods, especially the cash crops. Therefore, the commercial and industrial sector also will require sufficient care devoted to it as regards the supply of credit.

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3 P.M.

As regards warehousing and marketing, hon. Mr. Ghose has also made a mistake. I mean to say that Rs. 5 crores initial grant and Rs. 5 crores every year are meant as medium term loans to build warehouses in the various parts of the country.

SHRI B. C. GHOSE: How long will it take?

SHRI C. P. PARIKH: For a period of five years, it is mentioned. The Reserve Bank is to grant every year Rs. 5 crores and I think the State Warehousing Boards are there and if the Funds are not utilized, the fault is not that of the Central Government but it is that of the States. These loans are given only for processing and marketing of agricultural commodities. Five crores every year are for medium term, and to an limited degree the funds will be available for short term. That also he forgets, because for all these warehouses which are operating, money can be borrowed from the State Bank on a short term basis to an unlimited degree against security as goods and against security of goods the Reserve Bank from its Issue Department can issue the necessary amount. That has to be properly understood.

MR. DEPUTY CHAIRMAN: It is time.

SHRI C. P. PARIKH: You will allow me to develop some arguments if I am not irrelevant. With regard to processing of goods, that word is very important. Processing of goods is indirectly supporting all village industries and the village craftsmen and artisans because many agricultural goods are processed. Agriculture also includes mining. Therefore all small industries will be helped through the Warehousing Board. The Food and Agriculture Ministry will bring a Bill on this. Steps should be taken at an early date to amalgamate ten State Banks. It may be mentioned and it has been mentioned that some of these banks are running well. It is true that

[Shri C. P. Parikh.]

these banks are running well, but 50 per cent, of those shares are held by one State or the other and if they are amalgamated with the State Bank I think their strength will increase and disbursement of credit and receipts of deposits will be facilitated when there is a Central Organization. We must know how to expand our State Bank credits in all directions by the help of the organisation of the present Imperial Bank as well as of the State Banks.

Now I will come to clause 17 in which public interest is mentioned. Now the credit at present is disbursed to those who are credit-worthy. This will not do. If you want to disburse credit for agriculture only on the criterion of credit-worthiness, it will not be serving the cause of Indian agriculture in a way in which we should. In this connection I have to point out that in rural areas, the National Sample Survey has shown that 20 per cent, of the families have an income of Rs. 120 to Rs. 600. It is a matter of shame that such families are existing in India under sub-subsistence level and therefore we shall have to go out of the way of the recommendations of the Rural Credit Survey Committee and the dividends and such other advances that may be forgone by the Central Government should be set aside for helping those families in order that their income may be increased by giving them credit.

Then there is no mention here that any credit is being given—I am specially stressing this point—to students. There are a lot of brilliant students—first class students—who want to take up higher education and take Ph.D. degrees which are mostly required for development of our country. The Tatas and Watumul and all those persons are giving scholarships to the extent of Rs. 25,000 on the security of a life policy of a student. In a similar fashion the State Bank should make available credit to those

deserving and brilliant students in order that they may be useful manpower to build up our country.

I come to clause 36 in which provision to write off losses and expenditure is mentioned. The receipt of dividends of the Reserve Bank will be in one Integration Fund to write off Loss and Expenditure. I mean to say that when we are disbursing credit, we must see that those co-operative societies, if they are loaning to certain borrowers who are not credit worthy—and I say that 10 per cent, non-credit-worthy should be given the loans—and if the co-operative societies are unable to make both ends meet at the end of the year, from this Fund subsidies should be given in order that the societies are not afraid of bad debts incurred by them. Because in the initial three years, till we bring up the sub-subsistence level group to a normal existence level, such measures will be necessary and useful to the co-operative so that their tottering condition does not come in the way of advance in the future.

With regard to deposits of the cooperative societies and the commercial banks, owing to the State Bank starting about 1,000 branches in the whole of India, the deposits of commercial banks as well as of the co-operative banks will become less and all the deposits will go more or less to the State Bank because the State Bank will be considered the first Bank in India and the deposits by every individual will be considered safer in their hands than in any other banking institutions and therefore it is to be seen that commercial and industrial credit does not suffer nor does the co-operative societies credit suffer, because the deposits and the resources will naturally become less.

Now there is one point as regards development of co-operative societies. We must think of integrating the institution of Shroffs and village money lenders. The Rural Credit Survey Report has also mentioned that if these

money lenders are not carrying out any other activities and if they form into an association to transact banking in the village areas on sound lines to be supervised by the co-operative banks then they should also be brought into this picture in order that the rates that may prevail in the rural areas may be lower and the great advantage will be that the cultivator will not also lose while selling or buying goods. This is with regard to development of co-operative societies.

I will now come to commercial banks which are also important. The Imperial Bank at present is giving credit to the extent of 19 per cent, of the advances to the Commercial and Industrial sector. You will be surprised to note that the foreign banks advance to the extent of 21 per cent. The foreign banks in India—16 of them—are advancing 21 per cent, loans in the country and the rest of the scheduled and non-scheduled banks advance 60 per cent. Therefore these foreign banks are still having a great hold in the country and are advancing 21 per cent, in comparison to the single important banking institution, the Imperial Bank, which is advancing only 19 per cent. Therefore we have to be very cautious. When we develop the State Bank, these foreign banks and the scheduled banks should not have the monopoly of the commercial and industrial banking. The State Bank should also go in on a much larger and generous scale for supplying credit to commerce and industry and that is necessary because—the Members of this House will be surprised to know—in the Imperial Bank 25 per cent, of the loans or advances are given to firms and companies in which the directors are interested. Though the Imperial Bank Directors, the firms and companies in which they are interested are getting 25 per cent, of the total loans of the Imperial Bank. This point Mr. Mathur has raised....

SHRI BHUPESH GUPTA: I would like the hon. Minister to say what is

the position. This is coming from his side.

SHRI C. P. PARIKH: He cannot deny facts which are still existing. I have to say that; when we are talking of nationalising banks, you must know how to control the banking structure in the country and you have to see that only the richer persons or those who have influence don't get all the credit and some needy and deserving men do not suffer. In trade and industry and commerce also, some other men are not getting loans either from the Imperial Bank or from the scheduled banks.....

SHRI H. P. SAKSENA (Uttar Pradesh): Not even Corporations.....

PROF. G. RANGA: The agriculturists are suffering.

SHRI C. P. PARIKH: When this is the sorry plight, I venture to say that the State Bank will also have to see—and it is the obligation of the State Bank—that the credit structure in commerce and industry is duly supported and the foreign banks are not having an undue control in the country because the big scheduled banks are only five in the country, strict supervision and control will have to be exercised by the Banking companies Act and it should be watched that these major scheduled banks—Indian Banks—don't exploit trade and commerce in the country by funds not being properly and adequately supplied to deserving borrowers. The responsibility of the State Bank is increased when it takes over this role of supplying credit to the agriculturist. It has to supply adequate credit to the trade and commerce also.

There is one more important point and that relates to our foreign trade. In foreign trade we have no banking, for we have only about 39 branches and they are situated only in the Asian and African countries, with only 4 branches in the United Kingdom. If we want our credit structure to expand, if we want our banking to have its proper place in the world, we must have a branch of our State Bank in

[Shri C. P. Parikh.] every important city in the world. Then only we can get proper share of banking in foreign trade in our hands. There has been an invisible drain on our country on account of our banking system not having developed adequately and I think it is the duty of the State Bank to see that there are adequate foreign branches in all important countries.

Sir, I will take only another Ave minutes, if you permit me.

MR. DEPUTY CHAIRMAN: Yes.

SHRI BHUPESH GUPTA: Permitted.

MR. DEPUTY CHAIRMAN: But it will be no precedent for Mr. Gupta.

SHRI BHUPESH GUPTA: Why not.

SHRI H. C. DASAPPA: He will be glaijld to give up his own five minutes.

SHRI C. P. PARIKH' What are the profits of the foreign banks? These profits come to Rs. 1 crore 31 lakhs, against all the profits of the Indian banks; including the Imperial Bank of Rs 3-89 crores. So foreign banks are having one-third of the profits of all the Indian banks. I think we ought to develop our banking in such a manner that it may play its proper role in our agriculture, in our industry and commerce and in our foreign trade, so that we may have a due share of the profits reserved for our own people.

MR. DEPUTY CHAIRMAN: You must close now, Mr. Parikh.

SHRI C. P. PARIKH: Yes, Sir. I am closing as quickly as possible.

There are just two minor points which I would like to touch upon. The Imperial Bank is to be taken over by the State Bank under sub-clause (4) of clause 7 and I find that when the State Bank takes over the services of the employees of the Imperial Bank, no compensation will be taken into account and no compensation will be paid and the Industrial Disputes Act

will be in abeyance. Sir, when the Industrial Disputes Act was being amended I submitted that when any concern is in liquidation or is taken over by another concern, then compensation should not be payable to the employees as long as there is continuity of service: but the hon. the Labour Minister did not concede that point then. I see now that this point has been conceded here in framing this Bill under this clause. I feel, Sir, that when we are meting out justice, we should do it in a fair way. When it concerns the State, you should have one rule and when it is the private sector there is another rule. That should not be so long as you permit the private sector to operate in the country. As Mr. Hegde has rightly pointed out until we know how to control and supervise the private sector, we shall not be able to expand our public sector or take over the private sector. Sir, first of all we should have the capacity in control, supervise and regulate the private sector in a way that we desire.

Sir, one last word and that relates to the audit report. The hon. Finance Minister said that the Auditor's Report will not be ?aid on the Table of the House, because it is a banking secret. I do not understand how the banking structure or any credit structure in India can be a secret, and it is something which every Member of Parliament should know, how it is being carried on, whether it is being carried on properly or not. So there is no secret of any nature in this regard and I do not agree with the hon. Minister in his statement that the statement of the Auditor or of the auditors would affect the credit of the borrowers or that by the publication of the report, the credit of the borrowers will suffer. The credit of the borrowers will not suffer, becuse these reports are being placed before the shareholders and what every shareholder has a right to know, Members of Parliament are entitled to know. They are entitled to know because the exchequer has contributed to the

State Bank and they should know how the Bank is working and what the audit objections are.

Now a word about compensation. I have no time to deal with it fully, so I will reserve my remarks on the occasion when my amendments regarding compensation are being considered. Then I will be able to explain to hon. Members that the compensation to be paid at present is less than the assets that are received by the State. Hon. Members must not forget that the shares that will be issued by the State Bank will be issued at Rs. 300 to Rs. 350 each and so the increased payment will be taken back in another cash shape. So there is no harm or fear if compensation is paid, because the shareholders are indirectly paying back the same amount in cash when they subscribe to the shares. So there is no harm.

I have done. Thank you Sir, for giving me this much time.

SHRI BHUPESH GUPTA: Mr. Deputy Chairman, as you know, the Imperial Bank was born in the year 1920. When it was still in its swaddling cloths, the patriotic voice of India was raised against it because the birth of a Frankenstein—a financial Frankenstein—was seen. That is why, after the Montague-Chelmsford Reforms, when the Swaraj Party came to the Central Assembly, sentiments against this bank were expressed and charges levelled against it. Ever since that time, the public opinion of this country has been demanding that this bank be nationalised and formed into an institution for the service of the nation. Naturally the British Government which was interested in maintaining this bank in its own hands to serve its own purposes paid no heed whatsoever to that popular demand. One should have thought that having come into office about seven and a half years ago, the Congress Government would promptly move into action against this bank,

take it over and turn it into an institution for the benefit of the nation. But they have lost seven or seven and a half precious years and now they have come with this Bill, which in some respects, is undoubtedly good, because it establishes at least some measure of control over the bank. At the same time, I have to say that some of the provisions of the Bill not only take away the grace of the gesture but also come in the way of further development and the future economic development of the whole country.

Apart from setting a very incorrect and unwholesome precedent, it really makes over the control and direction of the bank and the assets of the bank to certain people who have to be denied such privileges. I need not say much about this bank because we all know the story. The hon. Minister has also spoken on that theme. To us this bank has been an institution of plunder and loot; that we all know. It developed as a sort of bank *de luxe* for the priests of high finance to begin with, the British financial interests in this country; and later on, the Indian interests, the big money, came into the picture and found a little accommodation and gradually there has been a process of elbowing out of the British interests which I do not deny but I shall come to the extent we have succeeded in getting a national hold over this bank because we feel that if the full story is told, without any reservation, then it will be seen that the aspect of national control or Indian hold over the Bank is still a distant cry and the position would not be much improved until and unless vigorous measures are taken under this Bill and otherwise by improving this Bill, above all. The Imperial Bank, as you know, attained a semi-official status. Privileges were showered upon it by the Government of that time and, in fact, it got associated with the Government in very many ways. The very name itself suggests this affiliation. The imperialists started

[Shri Bhupesh Gupta.] this bank and they did not like to mince words and, therefore, they called it the Imperial Bank of India. We also know as to how it operated. It did not operate for the development of the country's economy; it did not operate to help indigenous industry and trade and commerce; it did not operate to see that the Indian economy was put on its legs; it operated to facilitate British exploitation, facilitate carting away India's resources outside the bounds of this country. This is the history of the Imperial Bank of India. Now, naturally, in such a situation, this bank could not but evoke the greatest condemnation and indignation on the part of our people, among all sections of the people. The machinations of the banks are well known; they have smashed small institutions and banks; they have suffocated and strangled small industries and trade in order to serve the big money, more especially the British interests. When the Indian gentlemen came into the picture, they did not take a different path but they also collaborated with the British interests in order to further their interests as against the interests of the Nation and even against the interests of small trade and industry. Therefore, in one of the most important centres of the Imperial Bank, in Calcutta, you had a number of scheduled banks, small banks, failing and I think the total number of failures had come to 73 or so, resulting in a loss of Rs. 30 crores of the depositors' money. The Imperial Bank had its own part in such a thing. Legally you cannot call that bank to account but we know how the bank functions in the financial world in order to make it impossible for the smaller fry to survive and live. The other big banks have also been a party to such a machination but here we are concerned with the Imperial Bank and the history of the Imperial Bank is a history of machinations against the people, is a history of abetment of foreign interests, is a history of serving the cause of big money,—British

and Indian—and is a history of shame and dishonour for our people. One should have thought that the measures—when they are taken—would be taken with that picture in mind so that we can alter this picture and make it better and presentable. The hon. Minister has not done that. It has been said that the British share is no longer much. The hon. Minister has repeated today also what he said in the other House that only 10.6 per cent, of the shares are held by the British but, at the same time, had to admit that 27.7 per cent, of the shares are held by a number of trusts and companies, 342 in number. He did not tell us which are these trusts and companies. I do not think that most of the trusts are charitable trusts but they are trusts created by the rich people for benefiting their own vested interests. There may be one or two charitable trusts but what about the companies? I say that most of these companies are either in the hands of the British or are controlled by them. We would like to know how much of the shares held by companies which are directly or indirectly controlled by the British. Unless you tell us this thing, we cannot get a proper picture, the real picture, of the situation. Even so, you will find that about 37 per cent, of the shares are held either by foreigners or by trusts and companies. I think that the figure would not be less than 30 per cent, if you take into account the British interests directly or indirectly distributed in these trusts and companies and among private shareholders. We have just been told that 21 per cent, of the loans—or, nearly 20 per cent, of the loans or advances—are to the foreign concerns. How is it that such a great portion of the advances are made to concerns held in the grip of the foreigner, especially the British? It calls for an explanation on the part of the Minister. Therefore, let us not have any wrong idea about it that the whole thing has become Indianised. From the facts, it stands out that the Imperial Bank of India is still in the substantial grip of the

British capital directly or indirectly. Then, what about the bank's other transactions? Where are the monies going? All these are very vital factors. As we know from the little experience that we have got, the Imperial Bank is connected with a large number of concerns which are in the grip of the British and the big monopoly elements in the financial world and we know that the money that flows in these channels does not come into other channels where even the small industry and trade can benefit. Therefore, when you judge a bank, you must take the entire picture into account and you must not merely explain the thing by pointing out to certain figures in the bank's business, as far as shares are concerned. The financial linking of that bank is still pre-eminently with interests that are alien to India's progress, that are hostile to Indian progress, and this is a statement which I make with some sense of responsibility and I hope the hon. Minister will rebut it not by giving or making assertions but by giving facts. I wish we had a White Paper before us telling us* as to where the funds have gone, how the funds are distributed by way of loans and advances, how many in which lines of industry and commerce have the funds gone and so on. These are very relevant facts for us to know before one can give a verdict on this bill or decide upon the measures that are to be passed for your so-called nationalisation. We have got nothing of that kind.

We should have thought that the hon. Minister would have summarily nationalized this Imperial Bank of India without all this kind of argumentation. Argumentation to offer to whom? For whom? As far as the people are concerned, they are convinced as ever that this bank has to be nationalised 100 per cent, and should be and must be turned into a property of the State and made a real and true State Bank for the country. Now, this is not done. What we find is that they are talking of the Reserve

Bank of India holding 55 per cent, of the shares, while another 45 per cent, are made over to the private capitalists and private shareholders.

SHRI RAJENDRA PRATAP 9INHA:
There is no quorum, Sir.

SHRI BHUPESH GUPTA: What does it mean? It means that the monopolists will walk out by one door only to re-enter by another. Maybe their number will be a little smaller but the giants of big money will come back again into this position and it is no use telling us that you will have your nominees there. We have seen what happened in the case of the Industrial Finance Corporation. We have seen what is happening in the Industrial Development Corporation that you have set up in the various parts of India. We have seen how the grip of the monopoly concerns is still retained in the Hindustan Shipyard. We have seen how it is still there in the Indian Airlines Corporation and all that.

Therefore, you do not tell us that just because numerically you will have more of your nominees, the other men will become absolutely harmless and will not be there to do the mischief at all. On the contrary from what you have done in the past and are doing today we have strong feelings and suspicions that in the matter of nomination you will choose your own men, the patrons of your party, the people who qualify in your eyes because they have got more money in their pockets

MR. DEPUTY CHAIRMAN: Order, order. No insinuations.

SHRI BHUPESH GUPTA: I am making insinuations against the Government. I make it a charge. I say I have my suspicions. It is no insinuation.

MR. DEPUTY CHAIRMAN: It is an insinuation.

SHRI BHUPESH GUPTA: I say, Sir, it is not an insinuation; it is a forthright statement.

MR. DEPUTY CHAIRMAN: Do not make an insinuation.

SHRI BHUPESH GUPTA: It is not an insinuation. I say I have my suspicion.

MR. DEPUTY CHAIRMAN: It is.

SHRI BHUPESH GUPTA: Anyway I hope it is absolutely parliamentary.

MR. DEPUTY CHAIRMAN: You should use dignified language.

SHRI BHUPESH GUPTA: Language I know. Language I need not learn from any quarter at the moment.

MR. DEPUTY CHAIRMAN: If you indulge in this they will make similar allegations against you.

SHRI BHUPESH GUPTA: It is not an allegation. I have expressed my suspicion.

SHRI H. C. DASAPPA: Should we take him so seriously?

SHRI BHUPESH GUPTA: Therefore I say we have our suspicions in this matter and let the Government get up and say that we have no reasons for suspicions and misgivings. Let them state here on the floor of the House that not one of those people, of the moneyed people, the multi-millionaire gentry will be put on the Board of the State Bank. I shall be satisfied with it for the time being. What I ask is: Why are you giving back 45 per cent. of the shares? The argument is that we shall still retain control. We want the State to take the entire control of the matter. If 45 per cent. of the shares go to private hands, there will not be a substantial measure of control over those people and once you give up 45 per cent. of the shares you cannot escape the logic and implications

of such deal and that is something which has been demonstrated in whatever field such methods of nationalisation or State undertaking has been resorted to.

Now 14 persons will be nominated, as to how they will be nominated we have been given some general idea but we are not satisfied with it. We want to know exactly what are the people who will be nominated, what sort of people. At the same time having had the experience of the Imperial Bank of India we want to know which are the people who are not going to be given any quarter on the board of directors of the State Bank. Here is the investors' year book of the Imperial Bank and here you will find the names of the directors. You will find, Sir, not even the names of average Congressmen. I do not mind if many hon. Members from that side are placed on the board of directors. I do not make it a partisan issue at all, but certainly I would not like men like A. M. Walker and men like Badridas Goenka, these big guys to be placed on the board. Here is the list of the board of directors. All are multi-millionaires. All are rich people. Some are British. Such are the men who had been at the helm of affairs in the Imperial Bank of India and I hope the time has come when the door must be banged in their face so that not one of them can have re-entrance into the board of directors that you are going to create now. Let there be a clearcut assurance in this matter so that we may not have any doubts or suspicions. I am not making it a partisan issue. I would like you to be placed on the board of directors despite your interruption with me in my speech. I do not mind at all. I like people like you to be there, but I would not like the gentlemen whose names are given in this list, because the persons in this list of board of directors are millionaires and multi-millionah'ss; except that they have no qualification whatsoever, and the history of these persons is the history of sorrow BD3 suffering for our people.

Then let me go to the question of compensation. Before I do so let me ask why are you not associating in the board of directors the representatives of the employees themselves? We have given an amendment where we say: One-third of the board of directors should be elected by the employees of the Imperial Bank from amongst themselves on the basis of single transferable vote.

Now the hon. Labour Minister has been saying that Government is thinking of associating such people, the workers and employees with the management of the affairs of the business or industry. Here is an opportune moment; here is an occasion when you can readily associate these people with the running and management of this bank. They are the people who run the bank. Other people have indulged in bank-running; that we know. These employees are the people who really know how to carry on the work of the bank in the interests of the people. Let one-third of the members of the board of directors be elected by them. You will be creating a good precedent and you will have created a safety valve against those people, who after having been nominated, might not play their part. Therefore I say this suggestion should be accepted.

Now the question of compensation I shall certainly deal with. I thought, when the hon. Minister for Finance was holding a meeting in the Central Hall at 9 A.M. inviting Members of Parliament to have consultations with him, that even at this late hour he would see the reasonableness and the necessity of reducing at least the compensation. But he has done nothing of the kind. With a dogmatic mind he gave expression to certain ideas and certain assurances which mean nothing to the public and prove only the affiliations of the Government with big business. He has come before us with the same proposals for compensation which had been given at an earlier stage of the Bill and which had

been condemned on all hands by all people in the country. Sir, I think that this does not speak well of the Government. Let me make my position clear. We are not in favour of giving any compensation whatsoever to the British shareholders. I know the moment I say this thing the hon. Minister for Finance will say that we are being dogmatic. Now I share the dogmatism with him because there was a time some 20 years or 30 years ago when he as a young man came into the political movement and pledged to do this kind of thing. He may forswear his past, but we remember them with honour and sacredness. Therefore we demand their instantaneous implementation. The hon. the Prime Minister, whose words naturally in this matter count, said that this sort of thing is not done. Sir, I say that as far as the British are concerned, it is not a question of being generous or otherwise. It is a question of settling certain past accounts. Remember the money that they have got in the Imperial Bank. The investment that is there came not from England nor from any other country, but this is an accumulated fund got out of plunder and loot of our people and this is something which is historically true and nobody can deny. Why then must we be expected to pay compensation for the moneys that were got out of our country, are invested in our country and when such moneys were utilised for making profits for years and years, for a couple of centuries in other fields, and in this bank for a number of decades, why must we do that? International relations are not one-way traffic; they are two-way traffic, and as far as the British shareholders are concerned, they do not represent Britain at all. They are handful of people, vested interests, coupon-clippers, who live on colonial plunder and the inheritance that they got. As far as the British people are concerned, we know they want their steel industry to be re-nationalised. They want some of their other industries to be nationalised. Nationalisation is also very much demanded in Britain. Therefore I do

[Shri Bhupesh Gupta.] not think that if we do not pay any compensation to them our relationship with the British people will be strained. Certainly our relationship with certain coupon-clippers in England will be strained, but that is not much to worry about.

Then, if you pay money to them, this money will be sent abroad, and it has been said that about Rs. 2 crores will be given to them by way of compensation. Are we so affluent, are we so rich, are we so well-to-do, is our capital formation position so good that we can part with our funds like that? I think, Sir, we cannot afford to be so generous after having been plundered, after having been sucked white for a number of years. It is not for us to be generous; it is for the other party to show generosity today, and I think all men of goodwill in England would welcome if we were to decide that no British shareholder of the Imperial Bank after having got all that they have got is entitled to any compensation.

Sir, as far as compensation is concerned, I say it is exorbitant. They are giving much more than the market price even. It is a strange thing. Why then did we pass the Constitution (Fourth Amendment) Bill? Did we pass it for a joke? Did we pass it for the sake of fun? Did we not pass it to forestall certain legal difficulties, to see that when the properties are taken over, they are taken over in the interests of the nation, and to see that national wealth is not dissipated or squandered. We are told that an assurance has been given but, Sir, we do not consider ourselves to be bound by the assurances given by the Finance Minister, Mr. Chintaman Deshmukh. We are bound by the mandate of the people and by the will of the people. This Parliament should be sovereign in this matter. I think it has been a gross interference with the right of the Parliament when without consulting it or even sounding its opinion an assurance was thrown out that full compensation etc. will be given.

Sir, it is said that the small men will suffer. It is a wonderful thing. How many shareholders are small men? Figures were given but they do not explain much, because in the families shares are divided in small numbers among the various members of the family in order to evade income-tax, and we do not know who are the real shareholders. Have you gone into the history of the shareholders? Have you gone into their antecedents? Have you found out exactly to which income group they belong so as to decide whether they are really poor or not? For instance, the wife of a multi-millionaire may have two shares in the Imperial Bank while the husband may have 200 shares. That wife does not become a member of the lower income group for whom we should shed tears here. Therefore the figures are misleading. We want to know exactly which class of people own Imperial Bank shares. In our opinion it is the big people who have cornered the shares and divided them in such a manner that you cannot find out as to who are the real owners and they do that sort of thing for income-tax evasion purposes also. Therefore, let us not believe in that story. As far as the poor people are concerned, we are prepared to look into their cases. If genuine cases are there of the lower income group people really suffering because of this, we can look into their cases.

As for the large prices of shares, we are not responsible for it. The price fluctuated because of a lot of speculation in them. Are we to place a premium on speculation? Are we to encourage such things? So that is not a justifiable ground. High prices were paid for the shares because they could afford to pay. As I said the Imperial Bank shares are not held by small men. I would have liked to know how many shares are held by even my friend, Mr. Parikh, for that would have given us an idea as to how the shares are held. I can tell you this. The small men in our country do not have enough savings or surplus funds with which they can buy such shares at a price of Rs. 3,000 or Rs.

2,000 or even at Rs. 1,500. They cannot even make both ends meet and in such a situation is it conceivable that they would go in for buying shares at such high prices? Therefore I say it is the rich people who have got these shares. (Time bell *rings*.) How much time more have I got, Sir?

MR. DEPUTY CHAIRMAN: You have already taken half an hour.

SHRI B. C. GHOSE: YOU will get .seven minutes more.

SHRI BHUPESH GUPTA: That is good. He is the Vice-Chairman.

MR. DEPUTY CHAIRMAN: No, no.

SHRI BHUPESH GUPTA: Sir, there should be a little understanding between the Deputy Chairman and the Vice-Chairman.

Sir, I think we should have utilised the Constitution (Fourth Amendment) Bill in this case. After it was passed we have got this opportunity to prove • our bona *fides* before the country. We got a chance to tell the people as to what we meant to do with that Constitution (Fourth Amendment) Bill. I do not accept the argument advanced by the hon. Mr. Hegde. His arguments are quite interesting because I like to hear sometimes the ex-public prosecutor. None the less I do not agree with his arguments. When we passed that amendment it was said that it was necessary for use in situations like these where a lower scale of compensation has to be paid so that the courts should not have any say in the matter. Here is an occasion when we should have utilised that measure. What the Constitution amendment has promised to the ear is broken at the heart as far as this particular Bill is concerned. The hon. Minister who quotes Goldsmith will remember other poets, will remember his own Rabindranath Tagore. in order to realise the implications of what I am saying.

Now, let me come to the question of the functions of the Bank, I appreciate the attitude of the Government that rural credit has to be extended and this is a very important step—even their feeling—and I welcome it. But I feel that this problem of rural credit cannot be solved by merely doing this thing. This is no doubt very essential. Creditworthiness is a point which was very well made by Mr. Parikh and I feel that the loans ought to be given to peasants and artisans irrespective of whether they are credit-worthy or not. If they had been credit-worthy, they would have got the money. It is precisely because they are not credit-worthy, they want money and assistance and if the State would not help them, who would help them? If they are not helped, they will be made over, as they are now, into the hands of the moneylenders. This is a very important step but what is more important in this connection is the land reforms—distribution of land among the peasants. Agricultural indebtedness in our country which is appalling, the annual borrowing being to the tune of Rs. 720 crores or so, can never be eliminated until the peasantry is liberated from the yoke of the land-holding classes, until and *unless* land is distributed amongst them so that they become the masters in the rural areas, so that they become the masters of agriculture. Here in the Report itself it is said that 70 per cent of the holdings are medium and small holdings and out of them 41 per cent of the total agricultural produce come. Now, we find from the Government Reports that of 58 million rural families about 17.6 million are agricultural labourers and out of them again 50 per cent are completely landless. So until and unless you tackle this problem, until and unless side by side with expanding rural credit, you also distribute land among them, the problem of rural indebtedness will remain to the eternal detriment suffering and misery of our country. I will leave this point at that.

[Shri Bhupesh Gupta.]

My last point is about industry and commerce, I think industry and commerce is also a vital factor. I have given amendments suggesting that the Imperial Bank must operate in the industrial and commercial field much more vigorously than it has ever done, in order to help national indigenous industry. And remember, Sir, in our country per million of population we have only 16 bank offices whereas in Canada they have 226, in Australia 440 and U.K. 220. Therefore expansion in the banking world is very very essential and I think more offices have to be opened. Whatever the branches may be, I think only in about 1,031 places we have got banking facilities in India. I think more places will have to be brought within the range of banking and the State Bank should work towards that end. And what is more important in this connection is that you should start with a bias for our nation. You must go in for helping national industries and national commerce. You take over some of the foreign trade. Open branches abroad so that the foreign banks which operate to the detriment of our country are gradually eliminated from the scene. These are important measures. Banking has a very vital part to play especially when we are thinking in terms of a developing national economy. As has been pointed out, whatever profits are made by the scheduled banks, they are mopped up by the foreign banks and what is more, according to my figures, Rs. 2 crores are remitted abroad by the foreign scheduled banks which make huge profits in this country. Sir, the time has come when you should put a stop to these remittances of profits abroad. They should also restrict the scope for such profit making on the part of foreign banks, the Exchange Banks in particular. Therefore commerce and industry also should be brought within the purview of this bank to a much greater extent than has been the case hitherto.

This is all that I can say on this. Sir, I welcome this measure in so far as it is good. But I protest against this heavy compensation being paid. I protest against the compensation being paid to the Britishers who have got no moral, political or historical right to compensation. I protest against the banks being made over to the private shareholders in the name of some internal arrangement. I protest against the Director's Board being filled with men of big business and big money.

These are matters which I hope would engage the attention of the Government. When I come to my amendments I shall show how even this Bill can be improved upon if the Government would have really a fully patriotic mind in this matter, if the Government would take the national interest and nothing but the national interest into account and would not make an issue between certain sectarian interests at the top and the people. Shri Chintaman Deshmukh, has said, he had not divided mankind into big business and the rest. We say, Sir, mankind is divided between those who have grabbed the wealth of the nation and the productive forces of the nation on the one hand; and those others who are down-trodden and suffering. I think the time has come for bridging this gulf and nationalisation like this can play a laudable part, provided the Government would have the courage, sincerity and patriotism to turn this bank into a really popular, democratic and nationalised institution, saving it from the hands of the monopolistic and bureaucratic elements who between them can only bring ruin and disaster to our economy and can never deliver the goods that the country demands of the Government.

PROP. G. RANGA: Mr. Deputy Chairman, so soon after my friend held forth for more than half an hour.....

SHRI A. C. GUHA: You should have chosen some other time.

PROF. G. RANGA:in the manner in which he has done, it is difficult for me to abstain from making some comments on some of his observations. My hon. friend wanted to question the sincerity of the Government. If the Government had not been sincere, this Bill would not have been introduced at all. My hon. friend felt justified in expressing the suspicion that the Government was likely to nominate only the representatives of big businessmen. He could have waited until they had done something and then charged them with having committed the mistake; or, if he wanted them to be forewarned then he should have given them a suggestion. But to start with an insinuation, then say he was justified in insinuating in that manner, ending it by saying that he has got a suspicion that they are going to do it, and then condemning it is a very strange procedure, even in parliamentary democracy(*Interrupt! on.*)

MR. DEPUTY CHAIRMAN: Order, order.

PROF. G. RANGA: My hon. friend does not want to pay any compensation. He is very consistent, I concede, because no communist can daresay that he is prepared to pay compensation. That is the main principle which divides the communists from others.

SHRI BHUPESH GUPTA: To the British.

PROF. G. RANGA: My hon. friend has not made any such distinction.

SHRI BHUPESH GUPTA: I make a distinction

MR. DEPUTY CHAIRMAN: Order, order.

PROF. G. RANGA: I am not giving way to my friend. Even if he were to make a distinction between Indians and English people, I am not prepared to make that distinction.

tion. I am sure that no non-communist is prepared to agree with my hon. friend.....

SHRI H. C. DASAPPA: Not even communists.

PROF. G. RANGA: Now, I am not prepared to agree with my friend; nor am I prepared to recommend any other democrat to come forward in making that distinction between Indians and English people in this country and then say, "we are not going to pay compensation to the British". Why do we want to make this distinction? Does he give any good reasons? He has given one reason, that the British people had exploited us in the past and, therefore, we should make a distinction against the British. Now, whenever we have got to consider this problem, we have got to look at it from the point of view of the impact it will have upon the present and the future fortunes of our country. Supposing we do not want to pay any compensation at all to the British, and after all it is going to come to two crore rupees, if we look at it from one end; if we look at it from the other end which my hon. friend suggests, it is such a huge sum, therefore we should be very particular not to pay. Now, would this country be losing more or less than this two crore rupees by refusing to pay this compensation? I say this country would lose very much more, not only today but also in the future. And that is one of the reasons why I do not wish to make any distinction.

Another reason why my hon. friend from the Communist Party wants to do this is this. They want to lead our country astray in regard to this matter. They do not want any other country to come and invest in this country. They do not want foreign investment at all in this country. When we are thrown on our own resources—and we

[Prof. G. Ranga.] know only too well that our resources are not enough to develop all that we want to achieve in the short time we have set before ourselves—this country's progress would be arrested and thereby there would be greater chance for my hon. friends to come over to these benches. We do not want to play into their hands.....

SHRI BHUPESH GUPTA: You have already got it.

PROF. G. RANGA: We do not wish to play into their hands and that is exactly one of the reasons why we want to welcome foreign capital into this country. We do not want to make any discrimination at all between Indian capital and foreign capital. Then alone foreign capital would be willing to come, to pour into this country, and fertilise our own industries and commerce also.

Thirdly, my hon. friend wants the Government to make a detailed enquiry into the manner in which all these shares have come to be distributed. He himself at the same time admitted it is too difficult to find out the facts. Therefore, there is no use trying to make that kind of investigation.

SHRI BHUPESH GUPTA: I did not say that.

PROF. G. RANGA: If only my hon. friend would care to go through the report of the speech made by him, he would see how many things have escaped from his lips in the temper in which he was pouring forth his own ideas and his own words. Then, Sir, I¹ said: "Oh, why do you not nationalise it completely?" Now, what do we mean by that? 44 to 46 per cent, of the shares are going to be left to those who are in private enterprise. What do we lose thereby? His fear is that when these people come over here, although they would

be in a minority, they would be able to inveigle the majority that we represent, ignoring the public interest and come to gain complete control over the bank and its fortunes. I am not prepared to agree with him. If, on the other hand, the Government were to be so very foolish as to appoint absolutely useless people, to go on to the Board of the Bank and then allow themselves to be bamboozled by the representatives of the private enterprise and the shareholders, then it would be our job to take the Government to task. From year to year we will be able to have the accounts

SHRI S. MAHANTY: The audit reports will not be laid on the Table, of Parliament.

PROF. G. RANGA: If the audit reports are not placed on the Table of Parliament, by more than one way we can get the information. We can take the Government also to task one way or the other, we can find out to what interests money is being advanced: whether the objectives of this Bill are being fulfilled or not; whether the agriculturists are being advanced sufficient amounts of money or not. All these facts will come to light and it should be possible for us to control and condemn the Government if and when we find that the Government is not doing the right thing. But here and now to say, take over the whole thing and then run it—it would be possible and it should be possible to do it, but how much money would it cost? Do we wish to sink all that money in this Imperial Bank, in this State Bank that we are going to establish? Which is the better path of wisdom?—to sink all our money into it and then afterwards say we do not have enough money for other development works; or to simply take over only 52 to 54 per cent., and invite the other people to come into, partnership and thus have this money at our disposal for further national development purposes? That is one.

point. The other point is, here is the Reserve Bank of India. That is also a public institution and a national institution. It would be able to know how the State Bank is going to be managed; it would have all the facts; and it would be that bank which would be giving advice to the Government of India. And in that way, between the Government of India and the Reserve Bank of India they would be able to decide what is it that is in the national interests. And so we have already got here clause 17. sub-clause

(2) which says: "..... regard being had to public interest." And that is repeated again in clause 18. Public interest looms large in this Bill and what is public interest has got to be decided from time to time by the Government. And the Government would be able to control the State Bank, which will come into existence, from the view point of public interest. I would trust the Government to that extent and leave this thing in the charge of the Government, rather than expect the Government simply to take over the whole thing, much more than it could possibly chew for the time being.

4 P.M.

Then, Sir, I come to the question of quantum of compensation. Well, so soon after the amendment was passed to the Constitution, are we justified in agreeing to pay so much as Rs. 1,800 for a share of Rs. 500? Now, my hon. friend said that it is very much more than the market price. I was asking my hon. friend as to what was the market price, but he could not give any answer. Whatever might have been the market price, we have arrived at the figure of Rs. 1,800 according to a particular formula which was introduced some years ago, and which was repeated a second time. Now, if my hon. friend thinks that the word of the Government can simply be set at naught by any Finance Minister, and if any Government were to behave in that manner, excepting in a Communist society, that Government ought to be dismissed, if the people have got

the capacity to dismiss it. If they haven't got the capacity to dismiss it, they should continue to condemn it. Why? Because when the Government gives any kind of assurance to the public, however small that section of the public might be, then that Government must be prepared to stand by it. Otherwise, there cannot be anything steady, anything reliable and dependable

SHRI BHUPESH GUPTA: Do you mean to say that the Government have kept up all their assurances?

PROF. G. RANGA: I do not know what broken assurance of the Government my hon. friend has in his mind. But supposing the Government has broken some assurances, that does not justify that it should go on breaking every assurance that it gives. And in regard to an important thing like this, it should certainly not break any assurance.

Sir, this is a warning to the Government, and all those who represent the Government, that they should not go on giving these assurances in a light-hearted manner. I do not think that they had given this assurance in a light-hearted manner. But for the future, this is a warning to them.

Then, Sir, my hon. friend had complained by saying "Oh, within a period of 7½ years, this Government has not nationalised this Imperial Bank." I am inclined to agree partially with him in that this Bill should have seen the light of the day years ago. In fact, some of us actually wanted the Imperial Bank of India to be nationalised as long ago as six years. And it is therefore a pity that all this delay has taken place. But I wish to give credit to the present incumbents of the Treasury Benches for having come forward with this Bill so soon after the authoritative recommendation made by the Committee appointed by the Reserve Bank of India. And why should we grudge that? This Government could have

[Prof. G. Ranga.]
gone on neglecting their duty in regard to this matter as they have neglected during the last seven years. But here and now, they have, at long last, agreed to accept the recommendation made by that authoritative committee. And what is more? While in those days we wanted only the nationalisation of the Imperial Bank of India, this nationalisation in this shape comes before us.....

SHRI S. MAHANTY: It is not nationalisation.

PROF. G. RANGA: It is nationalisation in this shape, I have put it. I have taken care to qualify my statement. I have said "this nationalisation in this shape". Now, how has it come before us? Not by itself, but it has come as a part of the whole scheme. We have already passed one Bill, and there is going to be another Bill, the details in regard to which my hon. friend, Mr. Guha, has already given. That is the Warehousing Corporation with a number of organisations, from the nation right down to the states. Now when it comes in this fashion, it has a greater significance for our national development than the other Bill, that we had been dreaming of and planning for, could have had. Therefore, Sir, this is a very important idea, and I welcome it.

Then, Sir, I find that my hon. friends are rather unhappy over the fact that it is not complete nationalisation. There, I am inclined to agree with those Socialists in England who themselves have said that there is no special virtue in nationalisation, and that nationalisation is only a means to an end.

SHRI S. MAHANTY: What about the socialistic pattern?

PROF. G. RANGA: Sir, when a good thing comes, it is easy for people either to ridicule it or to make use of it. If it pleases my hon. friends, they can ridicule it and take pleasure

from it. It is open to them to do so. If, on the other hand, the Government wants to do something good, then this is one of the ways by which W3 can possibly get some good out of it. You say that the quantum of compensation is too much. Then is it not better that you do not pay for the whole of it? You only pay for.....

SHRI B. C. GHOSE: You pay for the whole of it.

PROF. G. RANGA: You pay only 54 per cent., and the rest of it you are going to sell to the other people at the same price. And therefore you get their money. Therefore, where do you lose? Instead of the whole of the money being put here

(Interruptions.)

MR. DEPUTY CHAIRMAN: Order, order.

PROF. G. RANGA: For the whole of that money we are going to sell the new shares, and people are going to buy.....

SOME HON. MEMBERS: No, no.

PROF. G. RANGA: If there is any mistake on my part, I stand to be corrected by the Government. I do not mean to say that any Member in this House is not going to make any mistake. If my friends think that I have made a mistake.....

(Interruptions.)

MR. DEPUTY CHAIRMAN: You please go on.

PROF. G. RANGA: So far as I am concerned, Sir, I am convinced that we get enough of control over it. Then, Sir, my hon. friend said, "Oh, he has mentioned some names— Goenka and perhaps Walker—and these are the big fellows." And he asked: Why are you going to have these big fellows a, directors? You are likely to have them as directors.

SHRI A. C. GUHA: May I take this opportunity, Sir, to make one correc-

tion. Mr. Gupta was mentioning Goenka and others, as if they are all nominated by the Government. This Bank is completely a shareholders' bank. These directors are elected by the shareholders. There are only two directors nominated by the Government and they are, Mr. A. D. Gorwala and Dr. J. P. Neogy. I think, neither of them is a multi-millionaire.

SHRI BHUPESH GUPTA: That Americanised gentleman, Mr. A. D. Gorwala, is nominated.

MR. DEPUTY CHAIRMAN: Order, order.

PROF. G. RANG A: I am coming to that very same point. That gentleman, *who* is supposed to have been Americanised, is responsible for making this report, on the basis of which these three Bills have been brought forward. What is the use of throwing epithets at these people? You cannot very well undermine the patriotism of Mr. Gorwala by simply calling him as Americanised Gorwala. The other people can also throw similar epithets at my friends there. It is not going to help matters. My friend will continue to be an Indian, and that gentleman also will continue to be an Indian, irrespective of the fact whether there are any Russian friends who are interested in my friend's fortunes, or there are any Americans who are interested in him. It does not help any proper consideration of the Bill at all by indulging in

MR. DEPUTY CHAIRMAN: Please go on.

PROF. G. RANG A: Then, Sir, I would like him to investigate in what manner and by whom, in England, the nationalised industries have come to be managed. Of course, he would not be prepared to swear that, because they are socialists and these friends are communists. But, nevertheless, let my hon. friends

40 RSD.

Know how the Government is going to behave, when it has sworn allegiance to this socialistic pattern. In England, they have shown the way. They had taken up the experts, the people who had been running the mining industry earlier. Many of them were taken over, and they were appointed as directors, and their brains were used for the service of the nation. Therefore, I have no fears at all, even if the Government were to think of utilising some of these capitalists in order to serve the interests of the national industry and commerce.

Sir, then there is the question of rural credit. My hon. friend, Mr. Parikh, has given the impression as if, if only our co-operative structure were to be built up properly, it would be possible for our kisans to borrow as much as they need, even to the extent of Rs. 800 crores. That may be his wish, that may be my wish, that may be everybody's wish, but the point is: is that going to be possible, or are there any limits to it? Is it not true that the Government of India and the Reserve Bank are able to have some grip over them and tell them occasionally, "Do not advance so much more or do not advance so much less" and things like that? Is it not a fact that today there is economic depression in our rural India? If it is so, is it because the banks are unwilling to lend money, or is it because the banks are not enabled to lend money? Similarly, with regard to the future, unless the Central Government as well as the Reserve Bank first make up their minds that they must place all the credit that is necessary—short term, medium term and long term—at the disposal of our agriculturists, nothing would be forthcoming.

Then, coming to the co-operative banks, my hon. friend seemed to be under the mistaken impression that the co-operative banks are not fulfilling their functions properly. That is not so. The co-operative banks

[Prof. G. Ranga.] have not been given that much strength, that much stamina, that much support, from the Government till now. Now the Government of India have come forward to give that strength and stamina to them, and I hope that they would not leave it to the tender mercies of the State Governments alone. The Central Government itself should prove to be the bulwark of the State Governments. The State Governments as well as the Central Government should be prepared to place their resources at the disposal of the co-operative Apex Banks. Then the Central Government should take a hand in developing the co-operative movement in the various States. It is a fact that in most States we have not even got Apex Banks. In some cases District and Central Banks alone are available and not Apex Banks. These banks have to be organised, and it is here that the State Bank can help. The State Bank will discharge its functions in this sphere satisfactorily only if the Union Government takes a continuous and sincere interest in the welfare of the agriculturists.

Lastly, in conclusion. I would like to say that it is all very well to pass this Bill to establish this bank and give powers also to the Reserve Bank, but the most important thing is the help that you are going to give to the agriculturists. It is here that a very heavy responsibility is cast on the Central Government as well as on the State Governments. The State Governments' capacity for raising funds is very limited. They are more or less like tools in the hands of the Reserve Bank, and therefore it is the Central Government and the Reserve Bank which must determine from time to time not only the extent of their own responsibility in this matter but also stretch their own resources in order to see that our agriculturists are fully supplied with all the credit that they need, so that they can keep out of the clutches of the money-lenders.

MR. DEPUTY CHAIRMAN: Shall we sit till 6 o'clock? (*No Member dissenting*) We shall sit till 6 o'clock.

SHRI S. MAHANTY: Mr. Deputy-Chairman, it is a paradox that a Bill of this kind, with unexceptionable principle should be the subject matter of such bitter controversy. Now, I intend to examine this Bill from two-angles: in the first place, whether it is in keeping with the principles of the Constitution (Fourth Amendment) Act; secondly, whether it will meet the needs for which it has been framed. I am much thankful to Prof. Ranga for his impassioned plea for full and fair compensation which is being paid to the shareholders. In this connection, before I come to its political and ethical aspects, I would like first of all to deal with its financial aspect. My esteemed friend, Prof. Ranga, asked: "What is the market value? What was the market value of the Imperial Bank shares in the past few years?" Now, before I come to that aspect of the question, I would like the House to bear in mind that the value of the Imperial Bank shares has been the creation of the State and of the society. Let us analyse the value of the shares of the Lloyds Bank, for instance. My friend knows that the Lloyds Bank is a bank of international repute, which has also a great grip over the Indian banking system. If we take the year 1952, the highest price of a share of the Lloyds Bank was £ 49 and the lowest price was £ 44. If you come to the Imperial Bank, for the same year .

SHRI B. C. GHOSE: What is the face value?

SHRI S. MAHANTY: If you come to the Imperial Bank, you will find that the highest price for that year was Rs. 1,770 and the lowest price was Rs. 1,688.

SHRI A. C. GUHA: What is the face value of the Lloyds Bank shares?

SHRI S. MAHANTY: I am quoting from the Investors' Year Book for 1953.

SHRI A. C. GUHA: He said that the value was £ 49. What is its face value?

SHRI S. MAHANTY: I do not know it.

SHRI A. C. GUHA: Supposing it is £ 10, but is selling at £ 50, then it is five times the face value. Without the face value there cannot be any comparison.

SHRI S. MAHANTY: I have quoted the authority. Now, it is for him to find out what the face value is. What I am trying to make out is that the value of the shares of the Imperial Bank is the creation of the State. The Imperial Bank gets a number of facilities. In the first place, it used to work as the agent of the Reserve Bank in places where the Reserve Bank had no branches. Secondly, the Imperial Bank was favoured with the management of the currency chests which allowed them to function with very large balances. Thirdly, the Imperial Bank dividends were free of income-tax. These are a few of the causes which have contributed to the increase in the value of the shares of the Imperial Bank as compared with the value of the shares of the Punjab National Bank, the United Commercial Bank, etc. You will find that the difference in the value of the shares of the Imperial Bank and the other banks is huge, which cannot be accounted for by any other reason except that it is largely the creation of the State. Now, my straight question is: If the State has created this value, is it not the right of the State also to mop up the excess value which it conferred in public interest? Why I am emphasising this is that, when the Constitution (Fourth Amendment) Bill was being discussed—I do not know if Prof. Ranga spoke on it—friends of Prof. Ranga's faith rose up and said.

"Look here, we do not dispute the proposition that a fair compensation should be paid, but if you pay full and fair compensation in the case of strategic institutions, it will be unfair." To quote the Prime Minister, to pay full compensation in such cases will mean the rich becoming richer and the poor becoming poorer. I will only apply that test which has been hallowed by the acceptance of the Prime Minister, the Great Messiah of Socialistic Pattern; I want to employ that test to judge the quantum of compensation that is being proposed in this Bill.

PROF. G. RANGA: On a point of personal explanation. My hon. friend made a mistake in thinking that I have myself justified or claimed that fair and full compensation should be paid. All that I have said is that they made a commitment and Governmental commitment ought to be honoured. In the future, similar commitments ought not to be made, I say.

SHRI S. MAHANTY: My friend said that the Government made a commitment. I thought I had more respect for my esteemed friend for his exuberance to uphold the right of Parliament. Who is the Government? If the Government made a commitment, why should they come to Parliament? It is no good passing a whip on the Congress Party and closing their mouth upon this compensation issue and coming here and saying, "We made a commitment at some time or other and we have come here to ask for your dhobi mark." Why do you come to Parliament? If you have given any commitment, you honour it. So that is completely beside the point. We have to analyse this issue objectively with the material which we have in our possession.

Coming to the value of the Imperial Bank shares. I will say that the values of the shares were like this. The value of the shares in June 1950 was

[Shri S. Mahanty.] Rs. 1,700. In December 1949 it was Rs. 1,682-8-0, in December 1948 it was Rs. 1,675, in December 1952 it was Rs. 1,668-8-0, in June 1952 it was Rs. 1,677-8-0, in December 1951 it was Rs. 1,677-8-0. Now according to the present Bill we are now proposing to pay them Rs. 1,765-10-0. The fact has to be borne in mind that here we are paying a compensation which is much higher than the market price. When you pay compensation of Rs. 10 crores for the junk of the Indian Airlines Corporation, you say that is socialistic pattern. That is the socialistic ethics. When it comes to payment of shareholders of the Imperial Bank, you say that is also socialistic ethics but when it comes to compensation of land, what crime have the land owners committed that you are going to expropriate them? What particular virtues have these persons got for whom you are going out of your way which is repugnant to the spirit of the Constitution, (Fourth Amendment) Act, to pay them compensation which is much higher than the market price? The only logical reason can be well, otherwise, they may not be in a better position to pay to your election funds, but certainly that is not the reason why you should come to Parliament and militate against the very ideals which you were loud enough to proclaim when the Constitution (Fourth Amendment) Bill was before us. I need not dilate on this further.

In this connection there is also another aspect to which I would like to invite the attention of the House. The Leader of the Communist Group said—probably he was carried away by his own passionate plea for expropriation of British interest— that he is prepared to allow compensation to the Indian shareholders—to the Indian interests—but not to the Britishers.

SHRI BHUPESH GUPTA: I said, at the face value.

SHRI S. MAHANTY: It is always difficult to know what is the face value and what is the intrinsic value because they are so illusory. You cannot always know the intrinsic value from the face value. Please don't take them as they appear. Things are not what they appear. All that glitters is not gold. That is a different thing.

Wha: I was saying was this. I will cite a recent instance. In Viet Minn which is under Communist control, they are now nationalising all coal mines which were owned by French interests. At the moment the Viet Minh Government is compensating the coal mines which were owned by French interests. There is absolutely no justification to make a discrimination between brown capital and white capital. The capital of both varieties is the same to me.....

SHRI BHUPESH GUPTA: Both beautifully white.

SHRI S. MAHANTY:and Prof. Ranga—probably he was also carried away with his own emotions—said that in order to prevent the Communists from going to Treasury Benches, he is perfectly willing to invite foreign capital to this country. If such emotions are brought into a dispassionate analysis of a proposition.....

Sara BHUPESH GUPTA: Prof. Ranga, after all, is a general of mis-choice.

SHRI S. MAHANTY: What I am trying to say is that if we import such subjective prejudices into an objective assessment of a proposition, we will be nowhere. Now, the question is not of British capital or Indian capital. Here the question is in the case of land, how have you compensated? You have compensated 3 times on the income, not on the value—not on the face value or intrinsic value.

SHRI BHUPESH GUPTA: Three times net income.

SHRI S. MAHANTY: I say 3 times to 20 times. In Mysore they have not yet abolished the zamindari. In Bihar and in many other States the quantum.....

SHRI V. K. DHAGE (Hyderabad): It does not matter how many times.

SHRI S. MAHANTY: In the States where zamindari has been acquired, compensation is being paid or calculated on the net income and compensation varies between 3 to 20 times of the net income. If those principles are applied here what will be the net income of Rs. 500 share income-tax free? If the dividend is 14 per cent it has been calculated that the fair rate of compensation would have been Rs. 210 for a fully paid up share of Rs. 500 if you apply the same principle which you have applied in abolition of landed estates. I ask you—and the Government must give an answer, though not to this House, at least to their own conscience and to the country at large— why they have made a deviation in this particular case.

The Rural Credit Survey Committee also had recommended that all the State Banks like the Hyderabad State Bank, the Mysore State Bank, the Baroda State Bank etc. should be amalgamated with the State Bank which is now being proposed. It has been said that there are provisions in this Bill which facilitate voluntary merger of those banks with the State Bank but I don't believe in that kind of "change of heart". Acharya Vinoba Bhave can preach it but when we are going to examine a piece of legislation we are to bear in mind that those State Banks have been constijlted under State Acts which were passed in their respective Legislatures. Therefore, now that banking is a Central subject, the Government of India has to move so

as to bring those Banks under the State Bank. I understand that the Government of India is proposing to bring a Bill in the next Session for the merger of those banks. But in this connection.....

SHRI A. C. GUHA: Then why this misapprehension about change of heart?

SHRI S. MAHANTY: I am coming to it. I am now drawing the attention of the hon. Minister to the Hyderabad State Bank. With all respect, I will say that it is one of the worst scandals going about in India. It is a fact and the hon. Minister knows that though the Reserve Bank during the last two years have been pointedly inviting the attention of the directors of the Hyderabad State Bank to improve matters, instead of the matters improving, the same unsatisfactory conditions are continuing. As for example, the Reserve Bank drew the attention of the Hyderabad State Bank to the fact that in many cases clean advances are being made to certain concerns without proper security for its coverage. Now instead of such advances decreasing, they are going on increasing and the advances instead of achieving a reduction, are showing an increase and on 9/7/54 the increase was Rs. 52-69 lakhs.

[THE VICE-CHAIRMAN (SHRI V. K. DHAGE) in the Chair.]

Sir, the advances have increased from Rs. 3;11 crores to Rs. 4 64 crores even though the Reserve Bank has drawn pointed attention of the Hyderabad State Bank to mend matters. Sir, I do not wish to divulge anything, but huge amounts of such advances have been written off. I very much welcome the Government's intention of bringing forward a Bill to bring all these banks under the State Bank. But I wish to take this occasion to make a plea to Government that there should be a full-dress enquiry into all these acts of

LSri S. Mahanty.] omission and commission of this Hyderabad State Bank. Otherwise waeii the proposed Bill will come before the House we will be perfectly free to attribute motives to Government, unless they conduct an enquiry in the meantime and come to this House with their findings.

Sir a lot has been said about rural credit and rural poverty. The hon. Minister himself said that the peasant of India are the chattels of our civilisation. I have no manner of doubt in my mind that he has got great sympathy for the peasantry of India. But what is he going to give to the peasant by this measure? He said that two more Bills at least are in the offing and very soon they will come before Parliament. But the major part of his speech was devoted to a delineation of the poverty in this country. I ask him: can he show a single provision in this Bill which is going to mitigate this poverty of the peasant? It is a well-known fact that the peasantry in India every year is incurring debts at usurious rates of interests from the money-lenders to the extent of Rs. 750 crores and the hon. Minister has here provided only for the huge sum of Rs. 10 crores which according to him will be an effective source of such rural credit. Sir, this may be a very good election speech, at least it would fetch good votes if such a speech had been delivered outside Parliament in some constituency. But in fact, it is misleading this House and misleading the country to that extent to say that this Bill is a step and an effective step at that, towards the amelioration of rural poverty. I ask the hon. Minister and I ask, as a matter of fact, every hon. Member on the Congress benches, to show me a single provision in this Bill which is going to mitigate the poverty of the peasant. Is it considered that Rs. 10 crores will mitigate the misery of loans running to Rs. 750 crores at usurious rates of interests? If so, I have got my own

readings of such an assertion. As against it, I will try to pose the other side of the picture. What is the other side of the picture? I understand the total assets of the Reserve Bank—I may be wrong here and I would like to be corrected, if I am wrong—the present assets of the Reserve Bank—and when I say¹ present assets, I mean the period ending in 1952—are Rs. 239 crores, out of which Rs. 226-90 crores are liabilities. The balance is Rs. 12-10 crores. Now therefore, Rs. 12-10 crores is the total asset out of which we are going to compensate the shareholders whose shares are now going to be acquired, I understand that we will be compensating them to the extent of Rs. 19-10 crores. Therefore the exchequer, or rather the taxpayers of this country will have to pay Rs. 7 crores more for compensating the loss of the shareholders of the Imperial Bank. The hon. Minister, when asked why he was not extending the same principle here as was extended in the case of the acquisition of zamindaris, said:

"Zamindari was acquired at a much lower price. It was largely looted property and taken into possession or given to the Muslim Nawabs by the East India Company as prizes for loyalty."

Well, this may be true in the case of Bengal, but.....

SHRI A. C. GJHA: Everywhere.

SHRI H. C. MATHUR: No, no.

SHRI H. P. SAKSENA: The hon. Minister has not read his history aright.

SHRI BHUPESH GUPTA: But he has been speaking on the "Mutiny".

SHRI S. MAHANTY: Whatever that may be, the only log*²; according to the hon. Minister seems to be that zamindari was looted property and therefore it could be expropriated. I ask him: What, after all, is the nature of

the shares of the Imperial Bank? I; 1950, the shares of foreign investors were more than 50 per cent. How did all that share accumulate? It was accumulated out of the exploitation of a colonial market, the remnants of which can still be found in Malaya, in Singapore and also in the whole of South East Asia. That is how these shares were accumulated and you are now going to pay them out. Their inheritors this money. For that you are going to make the tax-payers of India pay Rs. 7 crores more so that these people may get their proper compensation. When asked to extend the same principle to the peasants, you say, it is a sin, it is a crime to pay fair compensation in the case of strategic institution like land. I know the madness of the party in power is not without its method, nor without its profit. But some day or other, the party in power will have to answer before the country at large why there was this discrimination.

THE VICE-CHAIRMAN (SHRI V. K. DHAGE): Shri Vijaivargiya.

श्री गोपीकृष्ण विजयवर्गीय (मध्य भारत): सासभाध्यक्ष महोदय, मैं इस स्टेट बैंक बिल का हृदय से समर्थन करता हूँ। हमने अभी हाल में कांस्टीट्यूशन अमेंडमेंट बिल पास किया जिसके जरिए संपर्क कमीशन सम्बन्धी धारा स्पष्ट हुई कि हम, राज्य और जनता के सार्वजनिक इंटरैस्ट में किसी भी संस्था को ले सकते हैं और ऐसा करते समय वह लाजिमी नहीं है कि उसको पूरा कम्पेंसेशन दिया जाए। मैं भी सोचता हूँ कि इस बिल द्वारा हम जो कम्पेंसेशन देने जा रहे हैं वह वास्तव में ज्यादा है और उसे कम किया जाना चाहिए। हम इस बिल द्वारा प्रत्येक ५०० रुपए के शेयर के लिए १०६५ रुपया १० आना देंगे, जो कि मूल स्थूल में कुछ ज्यादा रकम है और इस बात पर बहुत से लोगों को निराशा हुई है। यह बात सही है कि सरकार ने जो यह कदम उठाया है वह एक बहुत बड़ा कदम है क्योंकि इस बिल द्वारा हम इम्पीरियल बैंक का राष्ट्रीयकरण कर रहे हैं। हालांकि शब्द "नैशनलाइजेशन" पर काफी वादविवाद हुआ

है और लोगों ने कहा भी है कि यह किस तरह का नैशनलाइजेशन है। लेकिन मेरी समझ में, केवल ५५ फीसदी शेयर लेकर किसी चीज का नैशनलाइजेशन नहीं किया जा सकता है। फिर भी यह एक अच्छी दिशा में कदम उठाया गया है। इस बैंक का, जिसकी शाखाएँ सारे देश में फैली हुई हैं, राष्ट्रीयकरण हो जाना पर देश के किसानों की हालत में काफी सुधार हो जाएगा। किन्तु सरकार द्वारा जो ज्यादा मुआवजा शेयर होल्डर्स को दिया जा रहा है, उस पर सरकार को पश्तर से ही समझ लेना चाहिए, इससे आगे के लिए भी एक मिसाल कायम हो सकती है। इसलिए मेरा जो खयाल है वह यह है कि इतना ज्यादा मुआवजा देना मुनासिब नहीं है। लेकिन फिर भी गवर्नमेंट ने सही दिया मैं एक कदम उठाया है और इसलिए मेरा यह खयाल नहीं है कि सिर्फ इसलिए कि इसमें कुछ ज्यादा पैसा दे दिया गया है इसको ड्राप काट दे या गिरा दें।

इस बिल में इस बैंक के कम्पोजीशन वर्गों की सभी बातें शामिल हैं जो कि एक ऐसे बिल में होनी चाहिए और इसमें यह भी है कि २० प्राइवेटर्स में से १४ सरकारी प्राइवेटर्स रहेंगे और ६ प्राइवेट शेयरहोल्डर्स के रहेंगे। तो इस तरह से इस बैंक पर सरकार का पूरा पूरा, कारगर और इफेक्टिव कंट्रोल हो जाता है और इसमें कोई शक नहीं है कि जो गवर्नमेंट चाहेंगी वह होगा। एक धारा भी इसमें है कि सेंट्रल बोर्ड को गवर्नमेंट की हिदायतों के अनुसार काम करना पड़ेगा। तो कुल मिला कर यह एक स्वागत करने योग्य बिल है और इसलिए मैं इसका स्वागत करता हूँ, हालांकि जैसा मैंने बतलाया कि इसमें ज्यादा मुआवजा दे दिया गया है।

गवर्नमेंट की तरफ से जो भाषण हुए हैं उनमें बताया गया है कि इसकी चार सौ शाखाएँ और बढ़ाना चाहते हैं और कोऑपरेटिव सांसाइटीज को मदद दे कर के उसको और ज्यादा कारगर बनाएंगे। इतने बड़े देश में चार सौ शाखाएँ सचमुच कम हैं। चार सौ शाखाओं से कुछ काम नहीं चलेगा। इसी तरह से शुरूआत के लिए

[श्री गोपीकृष्ण विजयवर्गीय]

इसकी जो पूंजी है वह १० करोड़ रुपए है। भले ही वह शुरू करने के लिए मुनासिब हो लेकिन इतने थोड़े से रुपए से काम चलने वाला नहीं है। दहाती कर्जदारों और दहाती काश्तकारों की जो हालत है उसको दखते हुए बहुत ज्यादा रुपयों की जरूरत है और इतने थोड़े से पैसे से हम किसानों की हालत को सुधार नहीं सकते हैं। मेरा खयाल है कि गवर्नमेंट जब इस बैंक का काम चलाएगी तो साल भर में या दो साल में फिर इसके ऊपर विचार करेगी और तब कुछ ज्यादा अच्छे स्टेप उठाएगी जिससे कि दहात की हालत को, दहात के काश्तकारों की हालत को और सार कोआपरेटिव मूवमेंट की हालत को हम सुधार सकेंगे।

उपसभाध्यक्ष महोदय, रिजर्व बैंक अमेंडमेंट बिल के विषय में बोलते हुए मैंने कहा था कि हिन्दुस्तान के कोआपरेटिव मूवमेंट में बहुत सी खामियां हैं और उनमें कम्प्लेन भी बहुत फैला हुआ है। कोआपरेटिव मूवमेंट के साथ साथ और भी बहुत सी बातें हैं जैसे कि लैंड लाज को सुधारना है, कोआपरेटिव फार्मिंग के बढ़ाने की बहुत जरूरत है और मल्टी परपज सोसाइटीज को सारी चीजें खरीदने के लिए और अपना परचम और सेल करने के लिए भी बहुत ज्यादा इमदाद देने की जरूरत है। तो इसके अन्दर यह रखा भी गया है कि स्माल स्कूल इंडस्ट्रीज और एग्रीकल्चर को मदद देने के लिये एक बोर्ड रहेगा और वेयरहाउसिंग और मार्केटिंग सोसाइटी की बात भी इसमें है। मेरा खयाल मैं इस बिल के द्वारा ठीक दिशा में कदम उठाया गया है इसीलिये मैं इस बिल का समर्थन करता हूँ और मैं समझता हूँ कि हाउस इसको मंजूर करेगा।

SHRI RAJENDRA PRATAP SINHA: Mr. Vice-Chairman, in the limited time at my disposal, I would first like to examine this Bill in the light of the Constitution (Fourth Amendment) Act and particularly the debates that took

place in this House during the passage of that Bill. The hon. Shri Govind Ballabh Pant, the leader of this House, adumbrated certain board fundamental principles on which fair and just compensation were to be calculated. He ruled out of question altogether that the State will be in a position to pay compensation at market value. If I remember correctly, he said that if we were expected to pay compensation at market value, there could be no reforms in this country and there could be no development in this country. Pandit Jawaharlal Nehru, the Prime Minister, said in the other House that if we were expected to pay compensation at market rate then the haves would remain haves and the have-nots would remain have-nots. That was principle number one that was enunciated during the debates on the Constitution (Fourth Amendment) Bill. Now, what are we seeing here today? We are going to pay compensation at the market values. What is the market value? The market value is determined by the dividends that the company had been giving for a certain number of years in the past. I have with me some records of the past eleven years for the dividend paid by the Imperial Bank from 1944 to 1954. The Bank has been declaring a dividend of 14 per cent. In 1944 it was 12 per cent and from 1945 to 1949, it was 14 per cent and from 1950 onwards it was 16 per cent up to 1954. All these dividends were free of income-tax. This accounts for the high value of the shares.

SHRI A. C. GUHA: May I interrupt my hon. friend? I cannot understand what he means by saying that it is income-tax free, that these shares are income-tax free.

SHRI RAJENDRA PRATAP SINHA: I said that the dividends were free of income-tax

SHRI A. C. GUHA: Almost all the joint stock companies pay the income-tax before distributing the dividend.

After the deduction of the tax the dividend is distributed. There is no special provision for the Imperial Bank that the dividends of this Bank are free of income-tax.

SHRI RAJENDRA PRATAP SINHA: I know something of company management and I can explain to my hon. friend Mr. Guha what is meant by free of income-tax. Whatever he says is not quite correct. It is not as if there is some special provision for the Imperial Bank. Any company can declare a dividend free of income-tax; that is an ordinary thing and we know that. Several companies have done like that.

All these dividends were declared free of income-tax and, thereby, the original shareholders have got back 152 per cent, of the total value of the paid up capital in the shape of dividends in only eleven years. I am not counting from the year 1920 but in the course of *eleven* years the shareholders have got back so much. How has the Imperial Bank been able to maintain this high rate of dividend? As explained by Mr. Mahanty, this is all due to State patronage that was given to the Imperial Bank of India. Not only that; the Imperial Bank got business from the States and thereby made profit. This also added to the prestige of the bank in the commercial world. Because of the State patronage and because the Imperial Bank was the State Bankers, it could draw larger deposits from private individuals and could get more business in the commercial world than their competitors. As a result of this, the dividend declared was so high which, in turn, accounts for the price of the shares being so high. As my friend the hon. Mr. Mahanty has said, the share value was the creature of the State.

Now the hon. Mr. Govind Ballabh Pant explained to us how while calculating the compensation amount pay-

able to the zamindari acquired in U.P. they devised the means of imposing agricultural income-tax on such zamindari and thereby brought down the income from such zamindari to half of what it was before the imposition of the tax, and on the basis of this reduced net income they calculated the compensation payable to them. Now what are we doing here? Here we are allowing the shareholders to reap a high profit and to maintain their share value high up in the share market at the expense of the country because of the great patronage bestowed on them by the State and now when the time for acquisition of these shares has come, they are going to be paid the price at the market value and the market value, as my hon. friend Mr. Mahanty has said, is a creature of the State. I do not understand this differentiation between different sets of property. I do not like that we should have different sanctities for different properties. All properties are alike and when we acquire them there should be uniform principles applied for the payment of compensation.

Sir, we find that compensation for the acquisition of zamindari has been paid at a rate ranging between 2 per cent, and 20 per cent, the net income of the property. Here we have departed from that principle. We are not here paying compensation on the net income but on the value of the assets or the property acquired. I do not see any reason for differentiation in computing the basis of compensation in this case. We must have a uniform basis for computing compensation for all varieties of property.

Then, Sir, the other point that was made out very clearly during the debate on the Constitution (Fourth Amendment) Bill was that we should pay graded compensation, that is to say, the small man should get more and the big man should get less. We have been trying to get at what is the share holding of the Imperial Bank. My hon. friend may be knowing it but we do not know. Well ahead of

[Shri Rajendra Pratap Sinha.]

this Bill proposing nationalisation of the Imperial Bank, the best thing for the Government ought to have been to disclose the entire shareholding asset of the Imperial Bank so that we might have known who owned how many shares of the Bank, what was the maximum holding of one individual in the share capital of the Imperial Bank and what was the minimum holding of an individual in the share capital of the Imperial Bank. We would like to know it. We do not want to play a fraud upon the small man, but certainly we would not like to commit a fraud upon our national exchequer by paying to the big man much more than what he is expected to get under the Constitution (Fourth Amendment) Act.

Sir, as I pointed out to you, there was a graded payment of compensation in connection with the acquisition of the zamindari ranging between 21 per cent. and 20 per cent. I would have very much liked it, Sir,¹ if the Government had disclosed to (Us the gradation in the share holdings. A graded scheme of compensation for acquiring the share capital of the Imperial Bank ought to have been the basis. Sir, if we are now paying three and a half times the face value of the shares of the Imperial Bank.) would have liked that we need to pay only three and a half times the net income of the individual shares in the Imperial Bank of India. As I pointed out the shares have fluctuated. The dividends have fluctuated between 14 and 16 per cent. Let us take the average rate of 15 per cent. Then the average income from a share will be about Rs. 75 per share of Rs. 500/-. Now 3½ times of that will come to about Rs. 265/- or something like that. Now 3½ times would be to the shareholders with maximum shares and the shareholder with the minimum holding would get 10 times; that is to say, about Rs. 750/-. Such a scheme would have been a very fair scheme, would have been based on the same principles on which zamindars were acquired.

Now I would like to put a question. What is going to be the basis of computing compensation when we introduce the system of putting a ceiling on land holding in this country? Are we going to be guided by this scheme as we have got in this Bill? If that is so, there will be no question of putting any ceiling on land in this country because we cannot afford to pay the market value or the full value of the landed property in this country.

Then, Sir, I would like to say a few words about the credit facilities that we propose to give under this Bill. Sir, this Report of the Committee of Direction is a very very valuable Report, and it throws light on the working of the Government machinery, particularly the credit machinery in the rural areas. We find, Sir, that out of the total requirement of Rs. 750 crores in the rural areas for credit, only 6-7 per cent. is supplied by the co-operative and Government agencies. But we find that even this 6-7 per cent. of the credit that is provided by the Government and the co-operative agencies does not go to the small man in the village. It goes only to the rich and the influential. It has been pointed out in the Report itself, Sir, that the taccavi loans are not only ridiculously inadequate but there is unequal distribution among the influential rich and it is generally taken by those who need it the least. This is regarding the taccavi loans. Then I come to the amount borrowed from Government by cultivators as percentages of the total borrowings of all cultivators from Government. Now the large cultivators take 58-1 per cent.; the medium cultivators—32-1 per cent., and the small cultivators—9-8 per cent.

Similarly, Sir, from the co-operatives the big man gets 51 per cent.; the large—45 per cent.; the medium—33 per cent., and the small—19 per cent. Therefore we find, Sir, that there is a very unequal distribution of the available credit facilities in the villages. It is all availed of by the rich people in the countryside and the poor people—

pie remain as they were before, even after eight years of Congress rule in this country.

Sir, the Report says that "even in the two States in which co-operative credit may be said to be less ill-developed than elsewhere, namely, Bombay and Madras, the Survey reveals that a disproportionately large share of the benefit goes to the big and large cultivators."

Sir, this is the state of affairs that is in existence today. We would like to know how the Government propose to remedy this unequal distribution and this iniquitous distribution of credit in the rural areas.

Then, Sir, the Report says that there is utter confusion in the matter of the administration of credit in the rural areas. On page 208 it says:

"Lack of co-ordination occurs not only between one department of Government and another, but between Government on the one side and the co-operative credit agency on the other. There has been recently such a multiplication of Governmental activities and departments that in some cases each is acting independently of the other even with regard to almost similar schemes. Government schemes of agricultural credit in many respects are neither co-ordinated with one another nor with similar operations of co-operative institutions. For instance, both the Revenue and Agricultural Departments provide agricultural finance. And again these agencies operate in areas served by co-operative institutions and advance loans for the very purpose for which co-operative agencies can and do advance loans at rates lower than the co-operative agencies. There is thus duplication of finance and a variety of rates and terms of loans for different types of agricultural credit."

Sir, I would like to know how the recommendations of this Committee are going to be dovetailed with the existing schemes of development and rural welfare. This is, as it is called an integrated scheme for the supply of rural credit and for the development of the rural side. We have already got in existence the Community Development Programme, the National Extension Programme and so many other things. How are all these things going to be fitted in, or else will the implementation of the scheme lead to further confusion and make the confusion worse confounded? It would have been very good if we had discussed this Report before this Bill was introduced. In that case such a doubt would not have arisen and we would have known the mind of the Government as to how they would implement the recommendations of the Committee and fit them in the existing scheme of things.

Sir, I find that the main purpose of bringing forward this Bill is not to nationalise the commercial banking business. The Government does not attach much importance to think in terms of socialising our banking business. They have brought forward this Bill merely to implement one of the recommendations of the Survey Committee. The Survey Committee has pointed out the difficulties that lie in the matter of remittances in the rural areas and in the matter of locking up of cash deposits with the treasuries and sub-treasuries. Sir, I was surprised to find that out of 301 District Headquarters in this country, 105 of them do not have any Imperial Bank branch or any of the State associated banks. There are 1530 sub-treasury centres where there is no branch of either the Imperial Bank or of the State associated banks. In the face of this, they are going to have only 400 new branches as suggested in this Report. I do not have any idea as to what time they will take even to open these 400 branches and we would like to know from the hon. Minister as to

[Shri Rajendra Pratap binha.]

how long they will take in completing the opening of these 400 branches.

Then another difficulty will be with regard to staff. There is very great criticism against the staff employed by the banking companies. They do not have any idea as to how rural credit has to be provided. The Report has been insisting that they must bring in rural-mindedness. In the administration in the matter of providing credit facilities. Now we would like to know what programme the Government have in getting such people who can be really appreciative of the rural needs. That is a very important point because the Report says that the people who are at the present moment managing the affairs cannot appreciate the requirements of the rural side. What scheme have the Government got not only to replace or train the present staff who are in the present branches but also to find out staff to manage the 400 new branches that they propose to open?

SHRI AKBAR ALI KHAN: Mr. Vice-Chairman, just a few days before in connection with the discussion on the Reserve Bank Bill we expressed some of our views on this question and it is in continuation of the same we have today this Bill before us regarding the State Bank of India. I feel that it would have been very helpful indeed if the discussion on this Bill had been preceded by a full discussion of the Report of Mr. Gorwala on Rural Credit Survey. Anyhow, as that is not possible, we have to discuss this Bill now and I will proceed with it.

I think it is certainly a good step, a forward step, a commendable step in the right direction in view of the avowed object that has been declared in the speech and in the Preamble that this measure is meant to help the rural India. To that extent we all most heartily welcome this measure but I would just refer to one or two points made by my learned friend Mr.

Bhupesh Gupta and I would also add one or two observations of mine on this matter.

My friend dwelt at length on the previous record of the Imperial Bank. There I have not much to join issue with him. I do think that the Imperial Bank was mostly for imperial objects and for serving imperial purposes. But just the other day I was reading the speech of Sir Malcolm Hailey made in the year 1920 when all the three Presidency Banks were amalgamated into this Imperial Bank of India and I assure you, Sir, that there are phrases and quotations which are absolutely the same as you find in the learned speech of the Finance Minister either in the Lok Sabha or in this House.

SHRI BHUPESH GUPTA: May be they have copied it from there.

SHRI AKBAR ALI KHAN: No, no. They had also said that they were taking that step in order to help rural India and in order to see that credit facilities were increased. They said they were doing that in the best interests of the country. Why I am referring to is that it is no use repeating the same thing. I do not believe in flogging a dead horse. There are two things. Firstly, the Government at that time was not interested in the welfare and progress of our country. The other thing which requires our very careful attention is that the problem is so complicated and there are so many inherent difficulties that with even the best measure if not pursued with very carefully, or if complacency is allowed to set in, we will not be able to achieve the objective that we have in our view. For instance, it is absolutely evident that there is illiteracy among our agriculturists. It is also clear that there is indebtedness among our cultivators. Over the last 20 years several measures have been adopted in different States to control the power of the moneylenders like the Usurious Loans Act, etc. There is actually a big history behind the

whole problem. Especially after the advent of independence many steps have been taken to improve their condition and to strengthen the position of the cultivators but still there are many difficulties which have not so far been overcome. For instance, this loan or credit is given on the security of the land but a large proportion of our cultivators are not owners of land. They are merely tenants. The difficulty has been that they have not been able to obtain credit. So in certain States—particularly Hyderabad—laws had to be introduced to remove this defect. Not only that; there is a great proportion of cultivators who live absolutely on subsistence level. They can hardly make both ends meet. I mean, to give them credit would mean giving credit to persons who do not possess creditworthiness. If we, in our new scheme also, neglect them, or if we are not able to devise means and measures to help those agriculturists, then our whole scheme will fall and will not achieve the object. So, in view of all these things we have to see that the idea and the object, which is to benefit the agriculturist, and especially the poor agriculturist, is achieved, if this measure has to receive the real support or if it is to render genuine service to our country.

Again, Sir, there is the question of short-period, medium-period and long period loans. The poor cultivators so far as the records and the reports show, have never got long-period loans, because their property and their condition do not guarantee that standard which as a rule these credit societies prescribe. That is why we see that only three per cent, loan from Government is paid to the cultivator, three per cent, from the co-operative societies and over sixty per cent, from the money-lender. And there are private landholder money-lenders as well as other professional money-lenders; and these money-lenders on an average charge over 50 per cent, interest. That is the plight and that is the condition in which our rural population is to-

day. It is true. Therefore, it is with the object of helping them that we are welcoming this measure; but we have to see that this object is fully achieved in practice and in action.

Now, Sir, as regards the compensation. I do think there is very much justification in the observation of my friends, Mr. Sinha and Mr. Mahanty, that while giving compensation to landholders you prescribe one standard: and you have another standard while giving compensation to shareholders. And the history of these shares has also been commented upon by my friend Mr. Bhupesh Gupta. I mean you cannot say that the position of Imperial Bank shares is absolutely on a very high ethical or moral basis compared to the position of land. Well, in that light I think this payment of compensation is really excessive and I wish—if it had not been for the commitment of the Government—and, of course, my friends on the Opposite side may not have that feeling to honour a pledge, but I feel it is our duty to honour the pledge of the Finance Ministers.

SHRI RAJENDRA PRATAP SINHA—Mr Vice-Chairman, may I kindly know what is the real commitment given by the hon. Finance Minister to these shareholders? He has not said anything about the commitment. Can he tell us all about this commitment?

SHRI A. C. GUHA: Sir, I do not think that there is anything like a commitment being made by him or by the Government to the shareholders. He has only said

THE VICE-CHAIRMAN (SHRI V. K. DHAGE): Both of you are standing.

SHRI A. C. GUHA: He has only stated that there was some declaration in 1948-49 and this declaration is only a reaffirmation of that declaration.

SHRI BHUPESH GUPTA: Which declaration?

SHRI RAJENDRA PRAIAP SINHA: Are we to take it that there is no commitment, and even then this compensation is being paid?

SHRI AKBAR ALI KHAN: So far as I remember—I speak subject to correction—a similar declaration was made by the late Shri Shanmukham Chetty, another Finance Minister, Dr. Matthai.....

SHRI A. C. GUHA: Subsequently by Dr. Matthai and then by the present Finance Minister.

SHRI AKBAR ALI KHAN: What I say is this, Sir. They did it with the best of intentions. But I do think that their opinion and their judgment was wrong; but it has been done. Later on this Avadi Resolution came in, this 'socialistic pattern' came in. But when on a governmental level, a Finance Minister makes a certain statement, I think, at least the persons who are on this side are bound to honour it, and that is why I do not go into the details of my objection to the compensation.

SHRI S. MAHANTY: Net only duty bound but also whip-bound.

SHRI AKBAR ALI KHAN: I am exempting you—I said 'this side'—because I know there are many things in which I have to keep you in a different class. Now, so far as compensation is concerned, that is the position that I hold.

Now, Sir, as regards certain other things, the expropriation of British shares, I am very sorry my learned friend Mr. Bhupesh Gupta has got somehow or other—I won't say a fad because it would be unparliamentary—some obsession about the British; it is no use saying confiscate in one case and do not confiscate in another case. Whether it is Indian shares; whether it is British shares; whether it is Russian shares; or whether it is German shares, we have to honour

them. We have to treat them on one level. That is the business spirit, that is the business integrity, that is the business honour, which counts much more than anything else. What we say is while we treat the Indian shareholders in one way, we will treat the other foreign shareholders in the same way; and certainly in the present economic condition of our country we do want foreign investment. And my friend wants only Russian investment. I want the whole world's investment, but on my terms not on their terms. So, that question also is dealt with and compensation shall be given to all shareholders on the same equal footing.

SHRI BHUPESH GUPTA: Certainly, you do not want that foreigners should come here and start banks of their own? You may get loans from them.

SHRI AKBAR ALI KHAN: No. What I say is that our economic policy, our honouring of our pledges should be at such a level, that it should infuse confidence in the people of this country and outside.

SHRI BHUPESH GUPTA: What about the 1930 pledges?

SHRI AKBAR ALI KHAN: When we have occasion to discuss that, we can satisfy you that we have never changed, we have been consistent. We have never said at one time it is "people's war" and at other times it is "not people's war". We have always been consistent. Let me not go into the details as to how your party has behaved in this matter. This is beside the point.

The other point is about the 'directorates', and there also it was suggested that one-third of employees should be represented. Sir, I cannot understand this. I can very well understand representatives of the people who have got the interests of the poor people, peasants and workers and others at heart, should be given a chance in the directorates. But I cannot understand;

bank employees being given a share in the administration of the bank. Do you want to run the bank or do you want to distribute the whole thing in the salaries of the employees and then get the whole credit structure destroyed? It is entirely a different matter if it is a big factory. There the employees can claim and if the occasion comes I will lend my support to it—after considering all the circumstances of that industry.

SHRI BHUPESH GUPTA: I said they can elect some people to a seat on the Board.

THE VICE-CHAIRMAN (SHRI V. K. DHAGE): Mr. Bhupesh Gupta, please do not interrupt him, he is observing "Rouza" today.

SHRI AKBAR ALI KHAN: What I was submitting is this, Sir, that in these matters, we have to strictly observe the business principles, and we have to see that the credit of the bank is maintained and the bank is run on business lines. There, of course if you introduce such elements it might be very good for a platform speech but it would not be in the best interests or our *economic* policy.

With these few words. Sir, I commend this Bill for the acceptance of the House.

SHRI H. C. DASAPPA: Mr. Vice-Chairman. I rise wholeheartedly to welcome and support this grand measure which seeks to solve one of the toughest and the biggest problems of this country. I do not know, Sir, exactly how much time I am allowed to speak here on this Bill, because there is so much for me to say

THE VICE-CHAIRMAN (SHRI V. K. DHAGE): 20 minutes.

SHRI H. C. DASAPPA: Thank you.

So, without much of a preamble, I would like straightway to go to the consideration of this Bill. But before I go into the various provisions of the Bill. I would like to say a word or

two on the procedure that has been followed. Sir, here was an announcement made on the 20th of December 1954, a categorical announcement, to the effect that they proposed converting the Imperial Bank into a State Bank. They had quite a lot of time available to them to prepare the Bill for the consideration of Parliament. I do not think that the idea of converting the Imperial Bank into a State Bank arose all of a sudden in December 1954. I do not even think that it is the splendid report of Gorwala's Committee, the Rural Credit Survey Committee, that gave them the idea of converting the Imperial Bank into a State Bank. This, as I understand it, has been there for well nigh 50 or 60 years. I think it was one Lord Herchell, who presided over the first currency committee that first suggested the idea of having a State Bank for India. The question of converting these three presidency 'm'-ks of Madras, Bombay and Calcutta came up in 1920. I think, the Finance Minister then was Mr. Hailey. This idea of having a State Bank was mooted then. I think, the Bill to amalgamate them was introduced on the 1st of March 1920, and then there was a motion for reference to a Select Committee. That was on the 11th March 1920. The idea was that the Select Committee must report by 20th March 1920. I want my hon. colleagues to just lend their ears to me because it will show what procedure they followed in the case of the Bill. As I said, Sir, this idea has been there for such a long, long time, and they had ample time available to them to prepare a Bill and bring it before Parliament.

My objection to the present procedure is this. Why did they not choose to refer this Bill to a Select Committee? Why is it that they have brought this Bill at this far end of the session, and tried to—I do not say 'hustle through it', but in any case—deny the opportunity to the *Houses* of Parliament to give their detailed consideration to the provisions of the Bill? J

[Shri H. C. Dasappa.] cannot understand that, and I have not yet been able to understand as to why they should have been in such a hurry with regard to this important measure, affecting the interests and the future progress and prosperity of this great land.

Now, let us see, Sir, how Mr. Hai Tey, the so-called foreigner, tried to meet the wishes of the Indian Members. Some of the stalwarts were there like Pandit Madan Mohan Malaviya, V. J. Patel and Dinshaw Eduljee Wacha. Now how did he try to meet their wishes? The motion was made on the 11th March to the effect that the report of the Select Committee must come to Parliament by the 20th of March, on the ground that it was a very important measure, and the country would stand to lose, if it was postponed. These hon. Members urged that the matter ought to be before the country for a longer time and the report may be presented at the earliest possible time during their next session, *i.e.*, about a couple of months or three months thereafter. And Mr. Hailey who was not inclined for any postponement later on obliged them. Sir, those are the practices and conventions which I expect to see established here and to be sacredly guarded. And I feel that much of this criticism would have been obviated, if the measure had gone before the Select Committee.

Now, Sir, I would like to proceed to a consideration of some of the clauses and the observations made by my hon. friends. First of all, let us take this question of compensation, because that seems to be one of the bones of contention. Personally, I cannot understand why there should be so much of a discussion on this point. I do not deny that there is room for different opinions, but still I feel that we must observe a sense of proportion with regard to this matter. My friend, Mr. Bhupesh Gupta, is not here at the moment. But anyway, I cannot expect him to subscribe to certain

views of a socialistic nature, because he wants to go further ahead from the socialistic pattern. But, by and large, I think the Opposition is inclined to favour things moving in the direction of socialism. Now, they cannot have a better example than the democratic socialism of the Labour Party in England. I do not know whether these socialist friends here want to out-Herod Herod here. What is happening in Great Britain? In Great Britain, when they converted the Bank of England into a National Bank, what was the compensation that they awarded? Have the Members Opposite followed the discussions there? The Labour Government in the British Parliament went into this whole question from all points of view, and they decided that they should pay to the shareholders the market value of the shares. Sir, as some of the capitalists here have been clamouring and asking for better terms, there also, there were people who did want what was known as equity value, or the less happy expression, the break up value, of the shares. They argued, "You have not only the shares, but you have the reserves, hidden and unhidden, you have the valuable immovable properties, and you have so many other things, which are additional advantage gained by the new Bank." And, therefore, they ought to be compensated with very much more than the market value of the shares. But yet, what did Dr. Dalton say? He said that these hidden resources and assets, which the Bank had accumulated had been accumulated because of the support which the Government was giving to the Bank of England. From the beginning, they were Government bankers, and the result of it was reflected in the present market value of the shares. All these factors have already been gone into in determining the market value.

9HHI RAJENDRA PRATAP SINHA: Let us withdraw all the facilities that the Imperial Bank is having today, let us not nationalise it also and let us

see what the market value will be at that time.

SHRI H. C. DASAPPA: It is a very strange argument. Anything more irresponsible I have never heard from anybody. "Let us withdraw all the facilities." This irresponsible proposal will upset the entire credit system of the country. I would like to use my time to a better purpose. I find that the market value is a fair and reasonable compensation. Then, Sir, let us also go back to history. Mr. Shanmukham and Mr. Matthai, made statements. Mr. Chintaman Deshmukh also made a statement. I have got a copy of the statement of Mr. Chintaman Deshmukh.

(Shri Rajendra Pratap Sinha interrupt-ed.)

SHRI H. C. DASAPPA: I am not going to yield.

SHRI RAJENDRA PRATAP SINHA: Will he accept.....

SHRI H. C. DASAPPA: I am not going to accept anything. I do not want to accept anything except what I think is reasonable. I was just going to say this: Here are a series of statements. The question is: When were such statements made? When was the Constitution (Fourth Amendment) Bill placed before Parliament? When did we pass it in both the Houses? When did it receive the assent of the Rashtrapati? It received the President's assent only on the 27th April 1955. Now, Sir, negotiations had to be carried on. There had been these pronouncements. The question is whether all these negotiations and other things must mean nothing whatever merely because there was a resolution about the socialist pattern.

(Shri Bhupesh Gupta rose to interrupt.)

SHRI H. C. DASAPPA: I am deaf at least for the moment. I am not yielding.

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THE VICE-CHAIRMAN (SHRI V. K. DHAGE): YOU were complaining that Mr. Bhupesh Gupta was not here. Here he is now.

SHRI H. C. DASAPPA: I have heard him enough. I did not interrupt him when he was speaking and I hope he will extend to me the same consideration. Here is the whole background and they have fixed this quantum after a great deal of consideration on the basis of a certain formula.

SHRI RAJENDRA PRATAP SINHA: Even the hon. Minister has disowned my friend. He says that there is no commitment.

SHRI H. C. DASAPPA: I must say that this getting up like Jack-in-the-box, is not the parliamentary way of doing things. Here is the whole background. Are we to throw our words to the winds? My friend, Mr. Bhupesh Gupta, was talking so much about British interests. I can understand his talking about foreign interests, but I do not know why he was harping so much on the question of the British interests and objected to their being compensated for.

SHRI BHUPESH GUPTA: On a point of explanation.....

THE VICE-CHAIRMAN (SHRI V. K. DHAGE): He is not yielding Mr. Gupta.

SHRI H. C. DASAPPA: Here are the amendments saying that the British shares should not be compensated for. Unless the copy furnished to me by the Rajya Sabha Secretariat is wrong, my statement is correct.

SHRI BHUPESH GUPTA: It is correct. I stand by it.

SHRI H. C. DASAPPA: I do not know then why he ate his dinners in the Middle Temple, why he went to that "benighted" place, London, to take his Barrister's gown.

SHRI BHUPESH GUPTA: You ask this question of your Prime Minister, not of me.

SHRI H. C. DASAPPA: There is consistency in my leader, the Prime Minister. I hardly see any in the hon. Member. That is the way, because he provoked me into it.

Then, Sir, I would like to deal with certain other aspects. The preamble says that this Bill is for the purpose of saving the rural people from the clutches of the moneylenders. I am using my own words. I take it that the idea is to provide rural credit. Then, how do we justify the composition of the Board? Why is it packed up with people who have nothing to do with rural economy? The suggestion is that out of twenty, not less than two should be people with knowledge of co-operative institutions and of rural economy. If the idea is to have more than two, why not say so in the clause? You will see that there will be a Chairman, there will be a Vice-Chairman, there will be two managing directors on the Central Board appointed with the approval of the Central Government, then there will be six directors to be elected. Who are going to be elected? Will not they represent industry, commerce and finance? Among the eight directors to be nominated by the Central Government, why then should we have representation for these financial, industrial and commercial interests? If any interests get elected, it will be the financial, commercial and industrial elements. Therefore, there is no need for us to specially provide for them by way of nomination by the Central Government in consultation with the Reserve Bank. I only make a very modest claim that at least half of this number eight should be people representing rural interests, which means four out of eight, which after all is not too large a representation for the interests this Bill seeks to serve.

I would also like to make an observation in regard to qualifying

shares. I think in the Bank of England before it was nationalized, the qualifying shares were about £ 450 or £ 500. Here they had originally put it at Rs. 10,000 as qualifying shares not only for the Central Board Directors but even for local Committees. Luckily for us, I am grateful to this Government, in the other House they put it as Rs. 5,000 for the Central Board and Rs. 1,000 for the local members. What I beg to submit is that even Rs. 5,000 worth of shares of nominal value is far too high for our country. I would like that also to be Rs. 1,000 but for the present it may be Rs. 2,500. I ask the House that when a person who does not own an inch of property can be the Prime Minister of India, can be the Rashtrapati and rule the country, should a man have Rs. 5,000 worth of shares in order to be a director of a bank? I cannot understand this logic. So I would say this. Let the qualifying shares be as small as possible—it may be the minimum and then we can go ahead.

Then there is the question of security to be offered by the rural people. What is the security which they expect from the rural people? My hon. colleagues have already said that they have no security worth the name and even the lands they have got may not be good enough security. But why is it that they say that the immovable properties cannot be security for this bank? All the world over, generally speaking—I don't say that there may not be exceptions here and there—but all the world over they have immovable property as security for loans and advances. It is only the Imperial Bank built up on certain traditions and in certain circumstances when the foreigners had no property here of their own except factories and things like that, that they had provision like this. There are so many other banks all over the world which take as security the immovable properties. The argument which I know they will advance and which has

been advanced is that here are the Co-operative Organizations, the Apex Bank, the Land Mortgage banks etc. If that is so, why should we have 400 branches of the state Bank in addition to the 200 and odd that there are already—that will be about 625. I ask: Is it easy for us to have a Co-operative Credit Society so easily formed in every nook and corner of India? It is not possible. I am not going to say that they must adopt an amendment here because I know pretty well the inclination of the Government not to favour such amendments here but I would like them to seriously apply their mind and see that immovable property can also form security. We have been more or less harping only on the help that the State Bank will give to the agriculturists especially through these numerous branches. I don't deny the great necessity to help the agriculturists but let it not be mistaken that we have got to deal also with the small scale industrialists. The Cottage industries need credit as much as the agriculture. If you want to relieve the tension on the land and the pressure on the land, the best way is to build up these industries. The Gorwala Committee also has referred to it. They say—I am quoting from the official summary:

"While expressing itself against the setting up of separate industrial co-operative banks to finance such industries, the Committee makes the suggestion that the State financial corporations and the Reserve Bank should play a more active role in the matter of financing co-operatively organized rural industries, the former by making long term and medium term loans available and the latter by augmenting the short term resources of the co-operative credit structure."

But at the same time I wish to draw the attention of the House to this. This is a very vital statement. They say:

"The desirability of re-investigat-

ing rural industrial credit, with other aspects connected with these industries, on the lines adopted by the Committee for agricultural credit, is also suggested."

So what I beg to submit is that the Government should follow it up by having a survey of that kind and then try to bring the benefits of this fertilizing waters of finance to these cottage industries. My friend was saying, "What is the use of making use of the present managing directors and other officers who may be there now for running the State Bank". Even in the case of the Bank of England, Lord Catto, who was its Governor was the person who was appointed as Governor when it was nationalized. So, unless one is inclined to take unnecessary risks, the far better thing is to make use of the knowledge of people who are in charge of the affairs and who know the working of these great institutions and I don't think there would be anything wrong with it

SHRI BHUPESH GUPTA: He was a very dangerous man.

SHRI H. C. DASAPPA: Sir, I welcome this measure.

(SHRI KISHEN CHAND (Hyderabad): Mr. Vice-Chairman. I wholeheartedly welcome this State Bank of India Bill. I am very glad that after all the Government of India has thought of nationalising the Imperial Bank and kept enough provisions in it that in the near future many other banking institutions will also be nationalised. I wish to express that the Socialist Party is for nationalisation of all the industries but as a first step they want the nationalisation of all banking institutions and the Insurance Companies. In so far as this Bill is a first step in that direction, I welcome it wholeheartedly and I do hope that, as I will point out later on when we come to the clauses, the compulsory amalgamation of all small banks is very

[Shri Kishen Chand.]

essential. There are about 400 non-scheduled banks in the country whose total working capital is of the order of about Rs. 70 crores. These small banks are being carried on in not a very proper manner and their advancing rates are also high and in a large number of cases, especially in Bengal, there had been a great deal of failures. We know that about 50 or more banks went into liquidation in Bengal and the poor depositors did not get anything out of it. Therefore in the interests of developing credit facilities in our country, it is very essential that all small banks be merged as a first step with the State Bank of India. By the small banks, I mean all non-scheduled banks. As a first step, let these non-scheduled banks be brought in and then later on one by one these big scheduled banks may also be brought in so that in a few years' time the entire banking system is nationalised. We have the example of Australia before us and I think I will point out to you a little later on that in adopting the credit facilities policy of the State Bank, we will have to borrow a great deal from the National Bank of Australia because there also the economy is agricultural economy. Of course, I fully support the view that the State Bank should provide credit facilities to the rural populations in our country. But I may point out that the present Imperial Bank is a very conservative one. It is after all, modelled on English banks and as you know, Sir, the banks in England attach great importance to liquidity. They must keep mostly government securities. If the State Bank is going to follow the policy of the Imperial Bank, and not advance loans in excess of 20 per cent, of the working capital, that would be a very conservative policy. The foreign exchange banks are advancing loans up to 30 per cent, of their deposits and I think that if this State Bank is going to perform any beneficial function it must alter its idea in this respect. If they follow the old policy that loans will be advanced against quickly realisable

assets, and not against property security, this State Bank is not going to be of much use to the rural population. You know the loans to the rural population will be advanced only on the guarantee of the State Government. The experience of the taccavi loans has been very bitter, for hardly any amount had been realised from the loans advanced as taccavi loans. So, here the result will be that if loans are advanced on the security of the State Governments, these State Governments will be burdened with all this liability. The Central Government will recover from the State Governments the amounts that are paid to them, in the shape of share of income-tax or excise duties. So, the State Bank of India will be only a collecting agent. I submit that the hon. Minister for Commerce and Industry has pointed out that the small-scale and medium-scale industries are in great need of credit facilities, that our rural cottage industries are in great need of credit facilities. Hon. Members in this House have also pointed out that agricultural production in our country is of the scale of about Rs. 5,000 crores. So even if 10 per cent, of it requires credit facility the amount needed to provide the credit facility will be about Rs. 500 crores. Is the State Bank going to advance Rs. 500 crores or only about Rs. 10 or 20 crores on the security of food grains in the warehouses? That is really the work of the Central Government, to give price support by storing up excess production of food grains in their warehouses and advancing money to the poor agriculturists, to tide over the period till their goods are sold. The State Bank should really advance credit facilities for improvement of the land, both medium-term loans and long-term loans. This is only possible if the State Bank entirely changes its principles of demanding proper and suitable security. Sir, when we were discussing the Reserve Bank (Amendment) Bill, I pointed out that the Reserve Bank should not give any credit facilities to the rural population in the shape of long-term loans,

because a bank which issues currency notes should not engage in this business. The State Bank which is not performing that function should really advance loans on very nominal security as far as short term credit is required. Otherwise this bank will be useless to the poor agriculturist who again will have to go to the money lender and get loans at exorbitant rates of interest.

SHRI H. P. SAKSENA: That will happen.

SHRI KISHEN CHAND: When one studies this Bill and goes through the various limitations put in, one gets the impression that it is principally a commercial bank which has also been entrusted with the task of helping the rural population, and possibly about 5 to 10 per cent, of its working capital will be lent to Apex Banks on the security of the State Governments and those Co-operative Apex Banks will in their turn lend money to Central Banks and the Central Banks will lend to the co-operative societies and these co-operative societies will lend to the individual. In this cumbersome process involving three or four intermediaries, the poor agriculturist may have to wait long after his needs are over and to fulfil his needs, he will perforce have to go to the moneylender. So this is not a proper solution of the problem.

Sir, before I go to the other points, I want to say a few words about the capital of this State Bank. Here it has been said that the capital of the State Bank should be Rs. 5.62 crores— same as the capital of the Imperial Bank. But the value of the shares will be Rs. 100 instead of Rs. 500. I beg to submit that if we agree to give compensation of Rs. 1,765 then on that basis, the value of this Rs. 5.62 crores will automatically be increased three and a half times and reach up to the figure of Rs. 20 crores. I submit that the share capital of the State Bank on the basis of these assets should be Rs. 20 crores, divided

40 RSD.

into 20 lakh shares of Rs. 100 each. Otherwise, if the State Bank shares are offered at a low price, the Reserve Bank will be the loser, because the Reserve Bank will be paying three and a half times of the share value. If the new shares of the State Bank are not sold at three and a half times the face value, the Reserve Bank will certainly lose.

SHRI C. F. PARIKH: The Reserve Bank rate will be about Rs. 350.

SHRI KISHEN CHAND: The Reserve Bank is paying Rs. 1,765/- for every share of the Imperial Bank; if later on the Reserve Bank sells the State Bank's shares of Rs. 100/* at a rate less than Rs. 350/-, the Reserve Bank is going to lose on this transaction. It has taken the shares paying three and a half times the value and it must not sell them at less than three and a half times that value. In order to avoid that, I suggest increasing the capital of the State Bank by three and a half times and making it Rs. 20 crores. Then if a share of Rs. 100 is sold at Rs. 100 the Reserve Bank is not going to lose.

Sir, I do not want to say much on the question of compensation. Several hon. Members have already spoken on that question at length. I would only point out that in the Constitution (Amendment) Bill recently passed, it was stated that Parliament will either fix the compensation or lay down the principles of compensation. It is only on the question of these principles that I want to make an observation. I beg to submit that if the market value or secret reserves are compensated, it will set up a bad precedent. The hon. the Prime Minister stated that this compensation will not be a precedent for other compensations. Sir, you know that every textile mill gets a first depreciation allowance of 25 per cent, and smaller allowances year after year. Every textile mill or industrial factory or any other concern has got plenty of secret

and if once we lay

[Shri Kishen Chand.] down this principle, that even secret reserves will be paid for, it will set up a very bad precedent. If later on we want to nationalise any industry that is properly run, we may have to pay four to five times the face value of the shares. Therefore, I would suggest a different principle. I will enunciate the principle that the compensation should be either on the basis of the face value, or if you want to be very liberal or very fair, then you should accept the declared reserves, add up the declared reserves to the share capital and dividing it by the number of shares, you will get the break-up value.

In calculating the proper value, you should not count secret reserves. I may point out here that, for instance, the Imperial Bank has got secret reserves in the shape of buildings whose value is put down at one rupee. The buildings are worth lakhs and lakhs of rupees but in the Balance Sheet, they are valued at one rupee. Similarly, in the case of many com-

panies, many textile mills, the machinery which may be worth forty or fifty lakhs of rupees is shown as having a written down value of.....

THE VICE-CHAIRMAN (SHRI V. K. DHAGE): Mr. Kishan Chand, will you take more time?

SHRI KISHEN CHAND: Yes, Sir. I have only spoken for ten minutes.

THE VICE-CHAIRMAN (SHRI V. K. DHAGE): You have spoken for fifteen minutes.

SHRI KISHEN CHAND: Anyway, I want another ten minutes, Sir.

THE VICE-CHAIRMAN (SHRI V. K. DHAGE): The House stands adjourned till 11 A.M. tomorrow the 4th.

The House then adjourned at six of the clock till eleven of the clock on Wednesday, the 4th May 1955.