

SHRI BHUPESH GUPTA: You can call me to order, Sir, but it is a very important subject.

MR. DEPUTY CHAIRMAN: That is all right. I have understood you.

SHRI BHUPESH GUPTA: Can I get an assurance from you, Sir, that the whole thing will not be dropped from this session?

MR. DEPUTY CHAIRMAN: You will know it on Monday the Government will state the position.

SHRI BHUPESH GUPTA: You will please convey this to them.

MR. DEPUTY CHAIRMAN: Yes.

SHRI BHUPESH GUPTA: Why are those gentlemen on those benches keeping silent?

MR. DEPUTY CHAIRMAN: Order, order. There is a message from the other House.

MESSAGE FROM THE LOK SABHA  
THE HYDERABAD EXPORT DUTIES  
(VALIDATION) BILL, 1955

SECRETARY: Sir, I have to report to the House the following message received from the Lok Sabha, signed by the Secretary of the Lok Sabha:

"In accordance with the provisions of Rule 133 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to enclose herewith a copy of the Hyderabad Export Duties (Validation) Bill, 1955, as passed by Lok Sabha at its sitting held on the 28th April 1955.

The Speaker has certified that this Bill is a Money Bill within the meaning of Article 110 of the Constitution of India."

I lay the Bill on the Table.

PAPERS LAID ON THE TABLE

I. REPORT OF THE AIR INDIA INTERNATIONAL CORPORATION FOR THE PERIOD FROM 1ST AUGUST 1953 TO 31ST MARCH 1954.

II. MINISTRY OF COMMUNICATIONS NOTIFICATION UNDER THE AIR CORPORATIONS ACT 1953.

THE MINISTER FOR COMMUNICATIONS (SHRI JAGJIVAN RAM): Sir, I lay on the Table, under sub-section (2) of section 37 of the Air Corporations Act, 1953, a copy of the Report of the Air India International Corporation for the period 1st August 1953 to 31st March 1954. [Placed in Library, See No. S-154/55.]

Sir, I also lay on the Table under sub-section (3) of section 44 of the Air Corporations Act, 1953, a copy of the Ministry of Communications Notification No. 7-CA(6)/54, dated the 12th March 1955, publishing the rule prescribing a time-limit within which an existing air company, to which an offer of compensation has been made, should refer the matter to a Tribunal, if the compensation offered is not acceptable to that company. [Placed in Library. See No. S-155/55.]

THE RESERVE BANK OF INDIA  
(AMENDMENT) BILL, 1955

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

"That the Bill further to amend the Reserve Bank of India Act, 1934, as passed by the Lok Sabha, be taken into consideration."

Sir, this Bill is one of the measures that the Government have decided to take in implementation of the recommendations of the Rural Credit Survey Report. In the year 1951, the Reserve Bank of India instituted an enquiry into rural credit and the report of this enquiry has been submitted some time in December of last year to

the Reserve Bank. I think hon. Members must have seen that report. It is one of the most comprehensive surveys ever made about rural credit, not only in India, but perhaps in most of the countries of the world. The nation, I should say, owes a debt of gratitude to the committee which conducted this survey and presented this every useful report.

Parliament has always been showing keen interest in the subject of rural credit and on many occasions in this House and in the other House, this matter either in the form of questions or in the form of Resolutions or in some other form has come up. On every such occasion there was the insistent demand from hon. Members, irrespective of parties, for doing something effective for supplying rural credit. There was such a demand. I think about eighteen months or about two years back in the form of a Resolution by Prof. Ranga, to have an Agricultural Credit Corporation. In reply to the debate on that Resolution, it could only be stated that the Government was quite conscious of the importance of this question and that pending the submission of the Report of the Rural Credit Survey, no final decision could be arrived at, and that as soon as the report of that committee was submitted, Government would take up the matter and come before the House with their proposals and ask for the sanction and approval of Parliament. That is what has happened. It has been the accepted policy of Government, and that has also been approved by the Rural Credit Survey Committee, that co-operative institutions should be the machinery through which this rural credit is to be distributed. Sir, till now, I cannot say that co-operative organisations have been working very efficiently or effectively. Due to the weakness of our economy and perhaps also due to the deliberate policy of the foreign Government, the rural areas were being denuded of whatever wealth they had or they could produce. It was almost a heritage of the colonial system of rule, the colonial economy in which India was

living for near about two centuries. that our rural economy should find itself completely destroyed. It was to the interest of the foreign rulers to create a sort of a buffer between the foreign Government and the rural people exploiting the vast masses of the people.

That was the urban people and the people of the country were made urban minded. Big ports, cities, towns, etc. developed and they were drawing upon the wealth that might have been subsisting in the rural areas or that might have been produced annually in the rural areas. Cash and agricultural produce were diverted from the rural areas to the urban areas. In that situation, it was rather futile to expect that the co-operative organisation could function properly. In fact, it did not function properly. It was mainly due to this policy of the British Government to urbanise our economy and to make the entire politics and economics to be urban-minded that the co-operative organisation could not function properly. This committee has now come forward with some recommendations and the first thing that has been suggested is State partnership.

State partnership has been suggested because the co-operative organisation is still very weak, and the entire rural economy is abnormally weak; and without any help from the State, it is not possible for the rural economy to properly develop and to enable the co-operative organisation to function effectively. The report has stated that certain units which are not so very strong may combine against the strong opposing forces but the fact is that a combination of those very weak units cannot produce an effective organisation which can function effectively against the strong opposing forces. The disparity between the forces of rural economy and the opposing forces is so wide that without some support from the State, it is not possible for the co-operative organisation to develop. That is why it had been suggested that

[Shri A. C. Guha.]

there must be State partnership for the development of co-operative organisations. This Bill is intended to make that State partnership possible.

Before coming to the different provisions of this Bill, I should also say something about the proposals of the rural credit structure that the Government has got in its mind now. Along with this Bill, there is another Bill the State Bank of India Bill, and we expect that the Food and Agriculture Ministry will come before Parliament with another Bill for the establishment of warehousing and marketing organisations. With these, there will also be some training centres for the training of proper personnel to run the co-operative organisation. Apart from the paucity of money or any other thing, the lack of trained personnel to run the co-operative organisations is one of the greatest handicaps for the development of co-operative societies. So we have to secure for training the requisite personnel.

This, in short, is the integrated picture of the rural credit structure that the Government is now envisaging. Recently, there was a conference of the Ministers of different States in charge of co-operative organisations in their respective States—I think the conference was held about two weeks ago here—and that conference unanimously accepted the recommendations of the Rural Credit Survey Committee as far as they go, for the improvement of the co-operative societies. I can assure the House that Government is really earnest about taking effective steps about rural credit. The House may also be aware that most of the States have passed some agrarian reform measures.

SHRI H. C. DASAPPA (Mysore): Sir, will the hon. Minister place the resolutions of the conference on the Table? They would be very helpful if they could be placed on the Table and we will be very grateful, to the hon. Minister.

SHRI S. N. MAZUMDAR (West Bengal): It will not be helpful just now.

SHRI A. C. GUHA: I am sorry, I have not got them now.

SHRI H. C. DASAPPA: Not just now, but some time later.

SHRI A. C. GUHA: I shall do it as early as possible but it will not be before the discussion on this Bill is over.

MR. DEPUTY CHAIRMAN: Yes, go on.

SHRI A. C. GUHA: Here is the copy, Sir.

MR. DEPUTY CHAIRMAN: Are you placing them on the Table?

SHRI A. C. GUHA: I have no objection, Sir.

[Thereupon, the hon. Minister laid the papers on the Table. Vide Appendix IX. Annexure No. 188.]

SHRI S. N. MAZUMDAR: Is it possible to have it circulated amongst us, Sir?

SHRI A. C. GUHA: I do not think it will have any particular bearing on this Bill. I can only say that this is the idea with which we are going.

MR. DEPUTY CHAIRMAN: This gives the background.

SHRI A. C. GUHA: This Bill has no direct or even indirect connection with the resolutions.

The Rural Credit Survey Committee made certain recommendations regarding the Reserve Bank and this Bill is simply to implement the recommendations concerning the Reserve Bank. The main purpose of the recommendations is the establishment of two different funds, the National Agricultural Credit (Long Term Operations) Fund and the National Agricultural Credit (Stabilisation) Fund.

The purpose of the Long Term Operations Fund is exclusive for the

making of loans and advances to State Governments for subscribing to the share capital of co-operative banks which give loans for agricultural purposes and for the making of long term loans and advances to the Central Land Mortgage Banks. In short, this is the fund through which the State partnership in the co-operative organisations will be effected. The Reserve Bank will give these loans to the State Governments so that the State Governments may subscribe to the share capital or advance loans to the apex co-operative banks of the State. That apex bank will, in its turn, help the Central Bank either by subscribing to the share capital or by giving loans. The Central Bank will, in its turn, do the same thing to the primary co-operative banks. The Credit Survey Committee recommended that there should be an initial grant of five crores of rupees but the Government have decided to increase the amount to ten crores of rupees. This fund will start with the initial grant of ten crores of rupees.

The second fund is the National Agricultural (Stabilisation) Fund. This will be intended to convert the short term loan, in case of any emergency or natural calamity, into medium term loan. Sometimes it happens, that co-operative societies fail to realise the loan given out to the private tenants according to the instalment or schedule prescribed for the return of the money and due to that, certain co-operative societies have had to go into liquidation. This has happened on account of some natural calamity like floods, drought or something like that. So to provide for certain contingencies this fund will be used in giving loans to the co-operative banks so that by book adjustment what was once given as short term loan may be converted into medium term loan. This fund is intended to safeguard the co-operative structure against unforeseen contingencies, and I can also add that a similar stabilisation fund will be set up by the State co-operative banks by the apex banks so that it can help the

Central co-operative bank or the primary co-operative banks whenever there is any such difficulty for such banks. So this process of having stabilisation fund will go from the Reserve Bank down to the Central Bank.

Another provision in this Bill is a small thing. As at present there is an obligatory provision in the Act to maintain an office in London. This is one of the links with which the economy of India was bound with the economy of Britain. We are removing that obligatory clause. Now it will be decided on merits. I can inform this House that about two years ago the matter was examined by the Reserve Bank and it was found that to maintain that office till then in London was in the interest of India. Of course there was this obligatory provision but now that provision is deleted. Whenever the Reserve Bank finds that it would not be in the interest of India to maintain that office, that office will be abolished, and even now, I think, the Reserve Bank is examining the question.

Sir I do not like at this stage to enter into any other matters. I hope this will have ready acceptance by the House.

SHRI V. K. DHAGE (Hyderabad): May I ask for some information? I would like the hon. Minister to state as to what is the rate of interest at which the credit will be available to the peasants.

SHRI A. C. GUHA: At present the Reserve Bank is giving credit to the co-operative bank at 1½ per cent. and I presume this will remain more or less the same at least for short term credit.

SHRI M. GOVINDA REDDY: I want one more clarification, Sir. Section 17(4) of the principal Act is:

“the making to local authorities, scheduled banks, State co-operative banks and the principal currency authority of Ceylon” etc.

SHRI A. C. GUHA: Do you refer to "the principal currency authority of Ceylon"? It is the Central Bank of Ceylon.

SHRI V. K. DHAGE: My point was: At what rate of interest will a loan be available to the peasant although the Reserve Bank may advance the loans at  $1\frac{1}{2}$  per cent.?

SHRI A. C. GUHA: About two years ago or something like that, I think the rate was somewhat high and the Reserve Bank has been asking the co-operative bank to reduce the rate of interest, and I think more or less now it is fixed at  $6\frac{1}{4}$  per cent. In some States there may be a higher rate too, but always the Reserve Bank will try to reduce the rate of interest and I think it will gradually come down. Very soon we expect it will come down to near about  $6\frac{1}{4}$  per cent.

MR. DEPUTY CHAIRMAN: Motion moved:

"That the Bill further to amend the Reserve Bank of India Act, 1934, as passed by the Lok Sabha, be taken into consideration."

The time allotted to this Bill is one hour, but the House can sit till five o'clock and finish it. I hope hon. Members will not take more than 10 or 15 minutes.

SHRI B. C. GHOSE (West Bengal): Although I had made a submission Sir, it is unfortunate that the time allotted is one hour.

MR. DEPUTY CHAIRMAN: We will sit till five.

SHRI B. C. GHOSE: I would request you to extend it, Sir.

MR. DEPUTY CHAIRMAN: I do not think it will be necessary. We shall try and finish it by then if the Members will restrict their observations to 10 or 15 minutes.

SHRI B. C. GHOSE: But then if you go by the watch, Sir, it will be difficult.

Now, Sir, although this Bill seeks to amend quite a number of sections of the Reserve Bank of India Act, the important clause in this Bill is in relation to the setting up of the two funds. There are other clauses as the hon. Minister himself stated, one being in relation to the branch at London. There is also an amendment to section 8 whereby the Bank will have now three Deputy Governors and I believe the idea is to have one Deputy Governor attached to this rural finance work. That certainly would be a very good thing.

Now, Sir, these two funds are based on the recommendation of the Rural Credit Survey. I agree with the hon. Minister that this has been one of the most comprehensive surveys undertaken and the committee deserves our gratitude for the way in which it has gone about in examining the problem and suggesting remedies. Nevertheless, although by and large it has been a very good report, it does not follow that one should agree with all its suggestions. It is for this reason that I consider it rather unfortunate that the report was not first discussed in the House as such before Government framed its proposals. I think it would have been better if the report were discussed in the House first.

Sir, I want to examine this setting up of the two funds in relation to one or two criteria. Now why have we these recommendations in this particular form? I have no quarrel with the objective underlying these recommendations or even with the assumptions and principles, underlying them. They are certainly to the good of the agriculturists and would help to provide them rural finance. But why are the recommendations cast in the particular form in which we find them to have been cast? What is the advantage or sanctity in having two funds

first, and secondly, what is the rationale of the institutional structure recommended in the Report of the Survey Committee? Now, if you take the way in which assistance is sought to be given, it is through these two funds. My first question is as to why section 17 of the Reserve Bank of India Act could not be so amended as to include these provisions also in that section. As the hon. Minister knows, there was an amendment of the Act some time ago, viz., section 17 (4A) which had more or less the same object as embraced in the amendment in clause 7(2) (b), namely, the making of loans to State co-operative banks for a period from 15 months to 5 years.

Now there are certain other suggestions or recommendation in this Scheme, such as, in clause 7 sub-clauses 2(a) or 2(c) or 2(d) which do not come within the original section 17(4). But we could have enlarged the provisions of section 17(4) to include those objectives and the Reserve Bank of India would have been able to lend money for these purposes. Now my question is: Why have we then these two separate funds? What is the idea behind this particular proposal? I should like the hon. Minister to explain that. Is it the idea that if we do not have two separate funds, the Reserve Bank would not be willing to lend so much money, or so much money would not have been available to the agriculturists for their assistance? Yet it is to be remembered that the hon. Minister observed in the other House that what had so long stood in the way of money being made available to the agriculturists was not paucity of funds nor unwillingness on the part of the Government but the absence of any proper organization, and that if the organization were there funds would have been made available to the agriculturists through the appropriate machinery. So I should have thought that if there was a proper organization there would have been no difficulty in making funds

available under section 17 to the co-operative societies through the proper machinery.

I should like to know as to what is the special sanctity about these two funds and what particular advantage we derive by setting up two funds and earmarking certain resources to each of these particular funds. I am not saying much about the amount that is now proposed to be earmarked to these funds. Ten crores may be small; surely, judged by the needs of the rural sector this amount is very paltry but we have to realise at the same time that we have not the machinery to make more funds available. The hon. Minister stated in the other House that although they had made a provision this year and also last year for a few crores of rupees, the amount that was actually taken out was merely Rs. 20 lakhs, so that I take it that if more money were needed that would certainly be made available and that the particular figure mentioned in the Bill will not stand in the way of sufficient funds being made available for purposes of agriculture.

The second point I come to is about the institutional structure and the question that I should like to ask is: Why are these two funds proposed to be set up under the Reserve Bank of India? We are going to have a State Bank of India. Why should not the State Bank have been entrusted with this responsibility? I would like you to realise that I am not against the idea of setting apart moneys either in funds or generally for the assistance of the co-operative organisation. My point is: Why is it that these functions are being allocated to the Reserve Bank and not to the State Bank? Is there any reason excepting that the Gorwala Committee recommended it? I wanted to find an answer in the Gorwala Committee's Report on this point. Unfortunately, it does not discuss that issue. I do not know as to what was at the back of its mind when it said that these two Funds should be set up under the Reserve Bank and that the

[Shri B. C. Ghose.]  
work should not be entrusted to the proposed State Bank of India.

SHRI P. S. RAJAGOPAL NAIDU (Madras): That will raise the rate of interest.

SHRI B. C. GHOSE: Certainly not. If it is only the rate of interest, let the Minister say so. Why I am raising this question is this. Is it the idea that the State Bank of India will be concerned only with the rural banking functions and that the Reserve Bank will retain to itself the functions relating to the co-operative organisation? Now, if that were to be the idea, some of the observations by the hon. Minister do not appear to be reasonable. For example, he stated in the other House that the State Bank of India would open 400 branches in rural areas and work in close co-operation with co-operative banks and warehousing societies. It will not only provide rural credit but will also serve the interests of the rural industry. The State Bank will be associated not only with the rural banking functions but also with those of the co-operative organisations and with the financing of rural industries as well. Why is the State Bank not entrusted with these functions also? There are also other grounds for my raising this question. For example, is it possible for the Reserve Bank to undertake this task and even if it is possible should it do so? What it would entail is much detailed work. The Gorwala Committee recognises that. If the Reserve Bank were to take up this function, what it will be called upon to do would be something of this nature. I quote from the report:

"Obviously a programme of this kind will impose on the Bank very much greater executive and supervisory responsibilities than at present. Considerable strengthening and reorganisation of its own relevant departments will therefore be necessary. Among the tasks would necessarily have to be

that of closer contact with co-operative societies, institutions and State Governments all over the country and this can be achieved only if the appropriate department, that is, the Agricultural Credit Department has eventually an adequate number of branches in different regions of the country. The duty of the personnel of these branches will have to be inspection and supervision of a type that must not be confused with the duties of the Registrar but which will be fundamental in the process of guiding State Governments, assessing the implementation of programmes agreed upon and generally supervising the proper carrying out of the planned expansion of co-operative credit. Extremely important in this connection would be the responsibility of the Bank to ensure that the accommodation given by it is in fact channelled effectively to all classes of creditworthy cultivators. It is important to ensure that loans are not taken from the Bank 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. Any such tendency will have to be detected in time and checked by the personnel of the Bank."

Is that the proper function, I ask, of the central banking institution of the country? I know that the Board of Directors of the Reserve Bank in a report submitted in 1952 or 1953 stated and it has been quoted with approval by the Gorwala Committee—that we should not model ourselves on the West European countries. Here our main problem being that of rural credit we must chalk out our own line of policy. I agree with that observation but nevertheless it appears to me that if there is an alternative machinery available, then it should not be the proper function of the central bank to go out all over the country to find out as to whether the credit that it was making available through a certain machinery was being properly utilised by the cultivator out in the field. That

is a detailed work which I think might easily be entrusted to the State Bank of India which is proposed to be set up. The central banking institution should certainly stand behind; just as in the commercial field it deals only with the commercial banks, so also here, I believe, in the field of agricultural finance also the Reserve Bank should deal with apex co-operative banks and the State Bank only. I could have understood if the State Bank of India were not proposed to be set up. Then the Reserve Bank would have had to take up these responsibilities. The State Bank is also a Government institution and all the objectives which the Gorwala Committee have put forward can be fulfilled through the agency of the State Bank and at the same time I believe the banking structure of the country can be maintained on a sounder basis. I feel, therefore, that the particular scheme that has been suggested does not appear to be satisfactory from that point of view and I should like the hon. Minister to explain as to why they have accepted this particular scheme and why the State Bank cannot be utilised for that purpose.

There are certain other ancillary functions. As the hon. Minister has stated this is only the first step. Other measures will also have to be taken. He referred to National Co-operative Development and Warehousing Fund that will be set up under the Food and Agriculture Ministry. But I hope the Government will also bring forward a measure which has been suggested by the Gorwala Committee about the National Agricultural Credit (Relief and Guarantee) Fund. I do not know if that recommendation has also been accepted. In this Bill there are two funds. The Stabilisation Fund is for converting short term credit into medium term credit. The main difficulty of the agriculturist sometimes will be that because of natural calamities he will not be able to provide the money at all and it will become bad debt and that is why the Gorwala

Committee has recommended that a National Agricultural Credit (Relief and Guarantee) Fund should be set up in order to write off such debts as cannot be paid not because of any fault of the agriculturists as such but due to natural calamities and such other factors. So that is also a very important cog in the machine that has been recommended by the Gorwala Committee and I should like to know as to whether the Government have accepted that recommendation.

There is one proposal in this Bill in relation to the function of the National Agricultural credit (Long Term Operations) Fund which deserves some notice. I refer to clause 7, sub-clause (2) (a) where the Reserve Bank through this fund can make loans and advances available for periods upto twenty years. Now, that is a very significant departure for a central banking institution to make loans and advances for twenty years. In no other country would that have been possible. Twenty years is a very long time for the central banking institution of any country. I do not say that the term is long for the purpose for which it is required, but there are other banks. The central banking institution is primarily concerned with the short term money market. That is why I thought that since we were going to have the State Bank it would have been better if these functions were to be performed through the State Bank. And I should like also in this connection to know, while a provision has been made to provide long term credit to agriculture, will a similar provision be made, by an amendment of the Act, to provide long term credit to, say the Industrial Finance Corporation . . .

PROF. G. RANGA (Andhra): The cat is out of the bag.

SHRI P. S. RAJAGOPAL NAIDU: That is out of the question .

SHRI B. C. GHOSE: I am not arguing for that.



PROF. G. RANGA: You have the Corporation now.

SHRI B. C. GHOSE: I am saying this just for this purpose, that it is a very strange, extraordinary provision in any central banking institution. Not that we shall never do it, but the central banking institution is a different type of institution. And I just wish to put forward a suggestion that there is no reason if we can also provide funds for industry, why we should not do so. First we must, of course, provide for agriculture, but if there should be funds available, why should not the same assistance be given to industry? It is not advocating for the big capitalists or anybody. Anybody wanting funds may be given assistance; but that is, as I said, by the way, in order to give an illustration of this provision. By and large, as I said, I wholly support the objective behind this measure and I also accept some of the underlying principles of this measure. But as I stated, I should like to have some clarification on the points that I have raised so that I may be convinced in my mind that the scheme actually suggested is the best that was possible.

SHRI M. GOVINDA REDDY (Mysore): Sir, I have great pleasure in giving my full support.....

MR. DEPUTY CHAIRMAN: Please be very brief.

SHRI M. GOVINDA REDDY: Yes, Sir. This is a non-controversial Bill. This is one of the measures which is much more welcome than any other that has come on the floor of the House and I have no doubt that the Government is earning the gratitude of all the rural masses for this very salutary and salient measure.

PROF. G. RANGA: For the scheme.

SHRI K. S. HEDGE (Madras): For the objective.

SHRI M. GOVINDA REDDY: Sir, the cry over the necessity of rural credit and the difficulties which seventy per cent. of the population of the country at least were facing on

account of the paucity of credit, are at least half a century old. Well, the rural Banking Enquiry Committee which has analysed the situation in such a splendid manner and which deserves the gratitude of all of us, has brought out the picture of the economy of the rural masses in the country for over a century. As everybody knows, agriculture was the most ill-paying occupation for a long time until the Second World War. And even during the Second World War the advantages of the rise in prices of agricultural produce could not be had, could not be enjoyed by the rural classes on account of the paucity of rural credit. The demand for rural credit was so great and availability practically nil that they had to run to usurers who were sapping their life-blood by heavy interest—interest even upto this moment is ranging between 20 to 24 per cent. Under these circumstances, I am very glad that our Government have thought fit to accept the recommendations of the committee and, I think, they have gone far—they are not only alive to the situation, but also have actively worked it out. The idea of establishing the State Bank is a direct consequence of the recommendations of this committee. It is, therefore, a very happy and welcome measure. I am not going to dilate upon the advantages that the Bill is going to confer upon the rural masses because it is as clear as daylight, but I would like to offer some suggestions on the working of the Bill. While I was congratulating the Government, the hon. Mr. Ranga said—he cautioned me—that ‘the scheme’ was good. What he meant probably was that the benefit which the rural people should get under this scheme would filter through the machinery that the Government were going to establish and therefore, the machinery should be a good one. If the machinery is good, the rural classes will certainly enjoy the benefits of the measures. But if the machinery is not good, in spite of the good intentions of the Government in spite of the liberal measures that this Bill is going to enunciate, the rural people

will not stand to gain. We know the structure of the co-operative credit system in our country. It has been at a very infant stage and it is not altogether well-managed whether in the matter of Government loans, loans as *taccavi* loans or land improvement loans or other kinds of loans; in the matter of getting land mortgage bank loans. Every applicant knows that he has to face an ordeal in getting relief under those loans. A large percentage of commission by way of established *mamools* had to be given before the *ryot* got his application sanctioned and got moneys paid to him. Well, this is a sorry state of affairs which if the Government is not vigilant enough, if the Government do not take care to see that it is checked the *ryot* is not going to be benefited by this. Therefore in executing the measure in the matter of giving loans, the Government should take care to see that the State Governments are well advised and their attention is drawn to having proper personnel for the co-operative credit societies which are going to receive funds by virtue of this Bill.

The other point which I would like to refer to is the matter of interest. As everybody knows the Government have been advancing, the Reserve Bank has been advancing to co-operative societies some moneys. They were not adequate; they were far from satisfactory. But still they were advancing some sums. In the year 1950, 5 crores of rupees were advanced; in the year 1951, 9 crores of rupees were advanced; in the year 1952, 10 crores of rupees were advanced; in the year 1953, 13 crores of rupees were advanced.

AN. HON. MEMBER: 'Provided'—not advanced.

SHRI M. GOVINDA REDDY: When compared with the colossal question of the necessity, the demand for rural credit, this is just a drop in the ocean, but still we mention this with thanks to the Government and to the Reserve Bank for making even this

meagre provision. My point is this. Even this meagre provision could not be availed of in full by rural societies on account of the fact that the several co-operative banks and land mortgage banks were charging very heavy rates of interest. Sir, on the floor of this House, during question time, it was admitted that on sums which were borrowed at 1-1/2 per cent. interest, interest was charged anywhere ranging from 13 to 24 per cent. which is a horrible thing to conceive of. Well, such a thing should not occur if the rural classes have to be benefited by this.

The other point which I would like to refer to, Sir, is the question of stabilising prices. It is quite relevant in this connection to see.....

MR. DEPUTY CHAIRMAN: Mr. Reddy, please wind up; not more than five minutes each. I have got 12 names before me.

SHRI M. GOVINDA REDDY: I am winding up, Sir. I would not refer to that point, since you have called my attention to it.

MR. DEPUTY CHAIRMAN: Five minutes each.

SEVERAL HON. MEMBERS: You must extend the time for this Bill.

MR. DEPUTY CHAIRMAN: Is the House prepared to sit beyond 5 o'clock.

SHRI A. C. GUHA: Sir, the House can have another opportunity to discuss the general aspects of rural credit when the State Bank Bill comes before this House. Now, the House may be pleased to pass this Bill. This is a small Bill.

MR. DEPUTY CHAIRMAN: If the House is prepared to sit. I have no objection. I want to know if the House is prepared to sit beyond 5 o'clock.

SHRI S. MAHANTY (Orissa): Sir, we are prepared to sit.

MR. DEPUTY CHAIRMAN: It is not from you alone that I want to know, but from others also

SEVERAL HON. MEMBERS: Yes, yes. We will sit for some time more.

MR. DEPUTY CHAIRMAN: All right, if it is five or ten minutes more, we will sit. Please do not take more than five minutes.

SHRI M. GOVINDA REDDY: Sir, I have also not clearly understood the scheme of things. We are going to have the State Bank, and the State Bank is going to lend to the co-operative societies. If the Reserve Bank continues to lend to the co-operative societies, then I would like to know the exact relationship that would prevail between co-operative institutions and the State Bank on the one hand, and between them and the Reserve Bank on the other. Sir, I have not been able to understand that point so far.

Since you were pleased to draw my attention twice, I conclude with my prayer to the Government that they should see that this very salutary measure is availed of fully and a suitable machinery is provided for the rural classes to reap advantage.

SHRI S. MAHANTY: Mr. Deputy Chairman, with all respect to the hon. Minister for Revenue and Defence Expenditure, I may say that this Bill is merely tinkering with a problem of very vast magnitude. It is the proverbial mud-pack cure for high blood pressure.

Sir, the hon. Minister, in order probably to humour Prof. Ranga, who has joined his camp very recently, associated him with the genesis of the Bill, when he said that two years ago, the Professor brought forward a Private Member's Resolution for agricultural credit, and at that time, the Government gave him the assurance

that they were very seriously seized of the matter, and within a very short time, they would come before Parliament with a measure which would satisfy the need of agricultural credit. But, here, Sir, may I remind the hon. Minister about a major policy statement made in the year 1951, about four years ago, in the chapter relating to agricultural finance, in the first Five Year Plan? It has been stated as follows:

"As the credit structure becomes stronger in the States, the Reserve Bank and the Government should be able to furnish increasing assistance to the co-operative societies. In four years' time, the advances to the cultivators through institutional agencies should reach the figure of Rs. 100 crores per annum."

Therefore, Sir, there is absolutely no sense in saying that the Government set up the Rural Credit Survey Committee to report on agricultural credit, and that committee recommended that we should start with Rs. 5 crores, but we are throwing a benevolent gesture by increasing the amount to ten crores. Sir, it is not only misleading the House, but it is misleading the country also.

It has to be borne in mind, Sir, that 70 per cent of the people in India are engaged in agriculture; these people have reduced our food imports from 4 million tons a year to 8 million tons a year. You will find, Sir, the agricultural labour contributes 50 per cent. of the national revenue of India. Again, Sir, you will find that although our large holdings are concentrated only to the extent of 30 per cent., the small holders, who amount to 70 per cent., are contributing 41 per cent. of the total agricultural produce of this country. Here, we are confronted with a problem, not alone of poverty, but also of deprivation, of all round misery and of expropriation.

Sir, I would like to examine this Bill against the background of the

various kinds of help which the Government has been rendering to industries. The fact that has got to be borne in mind is that there are three types of corporations for rendering help to the industries. There is the Industrial Finance Corporation, there is the National Development Corporation, and there is the Industrial Development and Credit Corporation. There are thus three corporations for rendering help to the industries which have no dearth of finance. If the hon. Minister had cared to examine the Audit Report on the Industrial Finance Corporation, he would certainly have found that some parties were granted loans, even though they were in no need of it. That is one side of the picture.

And then the other side of the picture is this. The peasants are as dumb as animals which they yoke to their ploughs. They are not organised, and their political opinions are not institutionalised. They don't contribute to the Congress Election Fund. Therefore, the Government comes here with a measure like this in order to create the National Agricultural Credit Fund with Rs. 5 crores, even though the Rural Credit Survey Committee has pointed out that the peasantry in India is incurring a loan of Rs. 750 crores per year. And from whom? From the money-lenders. And this loan from the money-lenders constitutes 70 per cent. of the total amount of loan, namely, Rs. 750 crores. I am not speaking in anger or in bitterness. But here the fact has to be borne in mind that this peasantry is incurring a loan of Rs. 750 crores per year from money-lenders at a rate of interest which varies from place to place, but never less than 15 per cent. Then, Sir, look at the incidence of taxation. There are betterment levies, increased land rates increased water rates, and so on and so forth. The direct taxation only amounts to 28 per cent., and the rest of it comes from indirect taxation, and it comes not from the industrialists and from the urban population alone but also from the peasantry. Therefore, so far as the

peasantry is concerned, it is a picture of all round misery, all round starvation, and all round negation. But the Government comes here with a measure to provide the National Agricultural Credit Fund with Rs. 10 crores for ameliorating their condition.

Sir, I would like to know from the hon. Minister how this National Agricultural Credit Fund of Rs. 10 crores is going to solve the problem. It is only tinkering with the problem, and this Bill is going to amuse people rather than solve their problem.

Then, Sir, the Committee to which I have referred made one of the most important recommendations about institutional credit, and it said:

"It should be an effective alternative though not necessarily a complete substitute for the private agencies of credit."

I am quoting it from the All-India Rural Credit Survey Committee's Report. It emphasised that it must be, though not a complete substitute, an effective alternative. I would like to know from the hon. Minister if this National Agricultural Credit Fund of Rs. 10 crores is going to be an effective alternative to the existing sources of credit. Sir, I will take only five minutes....

MR. DEPUTY CHAIRMAN: You have already taken eight minutes. I have got 15 names.

SHRI S. MAHANTY: All right, Sir, three or four minutes.

MR. DEPUTY CHAIRMAN: No, no Please wind up.

SHRI S. MAHANTY: All right, Sir. Since the time at my disposal is very short. I need not dilate on it. But the fact that has got to be borne in mind is that this is not going to solve the problem. It might create further hard-

[Shri S. Mahanty.]  
 ship on the peasantry in the way that there will first be the Reserve Bank, then there will be the apex bank, and then there will be the Central Bank, and after that there will be the co-operative society. And when the loan reaches the peasantry, the actual cultivators will have to pay interest to three institutions, namely, the apex bank, the 4 P.M. Central Bank, and the co-operatives. If you calculate the various rates of interest which will be charged by the intermediaries, you will find that the peasant who stands in need of increasing finance for his expanding activities will not find it to his advantage. Nonetheless, this is a step in the right direction. I congratulate the hon. Minister for at least having thought that the agricultural population in India stands in some need of assistance from the Government today. Even though this is a crumb from the banquet table of the Government, it is a small mercy, and from that point of view, it has to be welcomed.

SHRI C. P. PARIKH (Bombay): Sir, I rise to support this Bill. This is a very important Bill because it seeks to assist the rural sector, both agriculture and cottage industries. It must be understood that, when a producer produces his goods, his profit depends upon the amount of credit that he possesses. The amount of profit that accrues to him depends upon the amount of credit available to him. Unless credit is available to him his profit will be reduced to the extent of 25 to 30 per cent. and on that account, a large number of cultivators will be benefited by this Bill and, therefore, this is a welcome measure.

Mr. Ghose raised some points about section 17. I think he has quietly forgotten that an amount of Rs. 100 crores will be provided by the Reserve Bank to the various funds that will be created under this Bill as well as under the Bill that will be initiated by the Ministry of Food and Agriculture. Now, this amount of Rs. 100 crores

will not be returned to the Reserve Bank in a short period. It is to be noticed that 20 years is the maximum period fixed. Looking to the banking rules of the Reserve Bank, no such departure can be made by the Reserve Bank unless by an amendment of the section, such as is now made through 46A and 46B. All this money will be locked up for about 10 to 15 years, and the co-operative movement in the country will be benefited.

Sir, the co-operative movement will rise to its full strength only if the State participates in it, and I beg to point out that the committee has made a great and wise departure in asking the State to participate in the co-operative movement. The Ford Foundation Committee said that it would be just like kissing death if the State participated in the co-operative movement, but the co-operative movement's leaders as well as the members of this committee have wisely decided that State participation in the movement will mean additional strength to the movement. I am glad that the recommendations of the Ford Foundation Committee have been wisely discarded in this context.

As regards the other point which Mr. Ghose raised, I will ask him to read section 47 of the Reserve Bank Act. The Reserve Bank profits at present are about Rs. 17½ crores. Now in section 47 for the words "and such other contingencies as" the words "and for all other matters for which provision is to be made by or under this Act or which" have been substituted.

SHRI B. C. GHOSE: I do not follow.

SHRI C. P. PARIKH: The surplus profits of the Reserve Bank, at present about Rs. 17½ crores are given to the Government of India by way of revenue. Now in section 47 the additional words put in are: "and for all other matters for which provision is to be made by or under this Act or which".

SHRI B. C. GHOSE: That was not my point. My point is: You create a separate fund.

SHRI C. P. PARIKH: You cannot do it. This is meant for certain specific purposes and cannot be used for any other purpose except under 46A (2).

SHRI B. C. GHOSE: I ask you to amend it.

SHRI C. P. PARIKH: This cannot be done by amending section 17. This has got to be done by a separate section, because this is long term credit extending to 20 years. Section 17 lays down more or less credit for short term and medium term. For long term credit, there is no provision there. Therefore, this provision has to be brought forward on that account.

Then, I come to the other point about rural credit. Rs. 800 crores are required for financing rural credit of which 7½ per cent. is now available from Government, co-operative societies and the commercial banks, and the rest 92½ per cent. is financed by money lenders and shroffs at rates of interest ranging from 12 to 40 per cent.

SHRI P. S. RAJAGOPAL NAIDU: 6-1/4 per cent.

MR. DEPUTY CHAIRMAN: He is speaking about private money-lenders.

SHRI C. P. PARIKH: Nearly 92 per cent. of the finance required comes from private money-lenders. Now, under this Bill nearly 100 crores will become available for medium term and long term loans. Short term credit to the agriculturists will be facilitated by the establishment of the State Bank because the bills of the co-operative societies will be discounted by the State Bank and the State Bank will give these bills to the Reserve Bank, because under the banking rules of the Reserve Bank, it can give an indefinite amount of short term loan against agricultural production. Therefore,

during the period of the next five years, out of the Rs. 800 crores required for the agricultural sector, Rs. 300 crores will be available, Rs. 200 crores, for short term credit and Rs. 100 crores for medium and long term credit.

Now, with regard to warehousing. I will say, that the Bill of the Food and Agriculture Ministry for this purpose will help in the maintenance of the prices of agricultural commodities because when warehouses are established for storing agricultural production, prices can be maintained at a certain level, at a level which is economical to the cultivator. The minimum and the maximum prices can then be fixed in order that the agriculturists are not exploited in any way.

Now, according to the recommendations of the Rural Credit Survey Committee, crop loans can be given to the agriculturists. Crop loans are loans which are given on the security of the standing crop to the extent of 75 per cent. of the value of the crop that the peasant may realise. Since the State Bank is going to establish about 400 branches in different parts of the country, the giving of crop loans will be made easier.

With regard to the office in London, this may be all right, but I think that the offices of the coming State Bank should be established in all the principal cities of the world because we also want a fair share of banking in our foreign trade.

AN HON. MEMBER: By and by.

SHRI C. P. PARIKH: It is not by and by. Foreign trade from the foreign banks we have to capture and if we are to do it, we cannot do it without adopting this method.

SHRI S. N. MAZUMDAR: Mr. Deputy Chairman, I welcome this Bill as a step in the right direction. I welcome its objectives and the underlying principles. But I am not congratulat-

[Shri S. N. Mazumdar.]  
ing the hon. Minister for that. In my opinion, if any one is to be congratulated then it is the peasant millions of India who are not so dumb as they were some decades ago and they are refusing to put up with the existing state of affairs and it is their will which has been reflected to some extent in this Bill.

Now, while I welcome this Bill, I would also like to point out some of the inadequacies. Firstly, the amount provided in this measure is quite inadequate. As has been pointed out by some earlier speakers, the total annual requirements of rural credit is to the tune of Rs. 750 crores. Up till now, the contribution of the Government and co-operatives has been only 3.3 per cent. and 3.1 per cent., respectively. Though this Bill will take a step in the right direction, still the amount will be far inadequate and in this connection I think the amendment which has been tabled by my friend Mr. Rajagopal Naidu suggesting the increase of the amount from Rs. 10 to Rs. 20 crores should be accepted by the Government. Secondly, there is another inadequacy and that is in connection with the conversion of short term loans into medium term loans. The conditions which have been provided are only famine or drought or some such conditions but the question of fall in prices of agricultural commodities should also be included in this. We know the conditions of fall in prices we know in connection with several commodities how the fall in the prices for a long period hit the agriculturists. We know the case of tobacco, of tapioca, we know the case of jaggery and so many other commodities. My submission is that the whole question of fall in agricultural prices should also be included in the conditions where the long term loan should be converted into medium term loan

Then, while welcoming this Bill, it is necessary to emphasise some aspects of the implementation side. While

doing this I join hands with my friend Mr. Ghose in submitting that this House should have been given an opportunity to discuss the Report of the Rural Credit Survey Committee before the Government came forward with this Bill because this whole Bill is being based on the recommendations of this committee and I have no hesitation in saying that the committee deserves congratulations for its work. It has made a comprehensive survey. Not only that, it has focussed attention clearly without mincing words on some of the ugly spots—some of the sore spots—of our rural economy and credit structure and it has suggested a reorientation of not only the pattern and machinery but a reorientation of the outlook which we cannot brush aside while discussion the principles of this Bill. Take the question of co-operatives. The committee has rightly come to the conclusion that co-operative movement in India has been a failure not only because of the inadequacy of the amount at its disposal but for other reasons. The co-operatives have had to face the opposition of the strong elements and the strong elements in many cases came in side the co-operatives to utilise it for their own interests. As regards the disposal or distribution of taccavi loans, the committee has said that in so many words. Because the time is very short, I am resisting the temptation of quoting the very words of the committee. I know in connection with many affairs after the flood disasters how these loans were ill-disbursed by ill-suited agencies and the amount was also very inadequate. Then there is the question of administrative set-up. The committee has emphasised the fact that in the administrative set-up the outlook and social connection of those persons who are in responsible positions, are always with the money-lenders and vested interests whom the peasantry has to fight and that is why there has been a tendency, in the very words of the committee itself, for these officials to submit a wrong report and to paint a very progressive picture where conditions are stagnating.

That is why the entire question of implementation or reorientation of the machinery, the entire question of associating people more and more directly with the administration of credit—these things cannot be brushed aside. The difficulty is that within the short time at our disposal and the manner in which we are discussing this Bill these issues can only be referred to and then they are shelved. But these are very relevant points. I am very glad that Mr. Govinda Reddy rightly pointed out that the Bill is good but the implementation side is most important. A very good scheme can be completely used in a different way if the implementation side is very weak and wrong. There are other questions also in connection with it. I have commended the work of the committee but that does not mean that I agree with all its points or that I say that it is completely adequate. Some of the points which have struck me even from a perusal of this summary are like the question of inadequacy. The committee has suggested that we should make credit available to all credit-worthy persons but actually we know that a very small section of the peasantry can be treated as credit-worthy. Even there the committee has suggested a shift of emphasis. So long the shift was on security of loan and security of ownership. The committee has suggested with a view to extending credit facilities to somewhat larger sections of the peasantry that the shift should be on the produce, on the potential paying capacity of the peasant. Even then a large section of the peasantry—the medium and smaller peasants—will not immediately benefit by this and for that reason, if this House was given an opportunity to discuss the whole question, I think the wisdom of the House would have been able to find out some means or atleast focus the question of how these facilities can be extended to those sections of the peasantry.

Then there is also another difficulty regarding agricultural labour. We know that 30·8 per cent. of the peasant-

try is composed of agricultural labour but as the conditions stand, these people don't get any benefit. The committee also has not seen its way to recommend anything for them except the Chit Fund. According to the recommendations of the committee, the Chit Fund will include also producers, and labourers but that Chit Fund is for other purposes not for production purposes. Then the bigger question—in the words of the committee itself—the larger context of the question of the security of land of the peasant also has to be taken into consideration. We cannot consider any measure, any right measure in connection with the extension of the credit facilities to our peasants without considering that question. Land reform legislations have been passed in the various States. We may have our differences about that. But one fact is undeniable that up till now before these reforms legislations have been implemented, there have been large scale evictions and even now they are going on.

MR. DEPUTY CHAIRMAN: It is time.

SHRI S. N. MAZUMDAR: I am conscious of the limitation but this is a point which is very important and so this also should be considered though it may not come within the scope of this Bill strictly: What are you going to do to stop evictions, to give that larger social context its deserved position that there must be security of land also in this connection.

Before I conclude I would like to say again that the two amendments of Mr. Naidu which I have mentioned should not be withdrawn and they should not be rejected by the Government. The Government should see its way to accept these two amendments.

PROF. G. RANGA: Mr. Deputy Chairman, I shall take only a few minutes over this Bill, for I am all in favour of this Bill and I hope that the



(Prof G. Ranga).

other Bills also which the hon. Minister promised, would soon be brought forward and will come to be placed on the Statute Book at the earliest opportunity. We have to look at all these Bills as pieces of legislation trying to implement one single scheme that has been delineated or outlined by the Rural Credit Survey Report. It was indeed, a very right decision on the part of the Government to have asked the Reserve Bank of India itself to appoint the committee. If a committee had been appointed in any other way, there could have been difficulty from the Reserve Bank and from various other sources also. But since it is the Reserve Bank itself which has brought out this committee, it has got to implement the recommendations of the committee. So it is well that this committee has come from the Reserve Bank. I am also very glad to note one fact. Contrary to the usual practice of this Government as well as previous Governments, of appointing committees only to delay matters, this time the committee's report has been taken seriously into consideration and into urgent consideration also and efforts are being made to implement the recommendations of the committee at top speed. Therefore, I wish to congratulate the Government on that.

Secondly, Sir, I would like to say that my hon. friend Mr. Mazumdar has rightly laid stress on the need for taking adequate steps to meet the colossal problem that is staring us today in the face, facing the Governments of the States and the Union Government here and the peasants all over India—the problem of falling prices. It is indeed a pity that the Government of India have not so far come forward with any proper or adequate scheme for relieving the distress of our people in this respect. They could have taken advantage of this opportunity to introduce a Bill now amending the recommendations made by this committee to this extent, that whatever assistance is going to be given under this scheme will cover also the risk that the peas-

ants are obliged to run by the fall in prices.

Sir, there was a time during the last economic distress when many co-operative societies came to grief because of the fall in the prices and the peasant's incapacity to repay their debts. So, unfortunately, what happened was this that because of the pressure brought to bear upon the co-operative societies by the Government in the States, the co-operatives were obliged to foreclose their loans and force the peasants to sell away their lands for a song in order to repay their debts. In that way the co-operatives came into bad odour and the peasants began to feel that these co-operatives were much worse money-lenders even than the ordinary money-lenders. Well, I do not here and now quarrel with the Government about the quantum of Rs. 10 or 12 crores. I would request the Government to accept the amendment of my hon. friend Mr. Rajagopal Naidu. But even otherwise it is not going to affect the whole scheme. As my hon. friend Mr. Parikh has put it, the idea behind the whole scheme is to strengthen the confidence of the people to develop the confidence of the people in the co-operative structure of our credit assistance or credit mechanism in this country and to bring in the Government as a partner in the co-operative movement so that the people in the villages, and also in the towns, may hereafter become more enthusiastic and also place their small savings as deposits in co-operative societies. In that way we may be able to increase the total amount of money that will be at the disposal of co-operative societies and that can later on be ploughed back into our agricultural organisations.

Lastly, Sir, it is most essential that Government should think of the way in which it is going to execute this scheme. It is in this respect that I welcome this new move already being made to entrust this work to the Reserve Bank with a separate Deputy Governor. Hitherto there used to be a separate Rural Credit Department, but there was no such importance attach-

ed to this work. But hereafter there cannot be any excuse for any neglect of this very important function of the Reserve Bank, because there is going to be a separate Deputy Governor.

I am sorry I am not able to agree to my hon. friend Mr. Ghose's suggestion that this work could as well have been entrusted to the State Bank and should not have been placed in the hands of the Reserve Bank, because I am anxious that the cost of the credit to the rural borrower should be reduced, and if you place it in the hands of the State Bank, the State Bank has got to pay on to its rates of interest all its administrative expenses. That will be necessary because it is a bank which has to run as a profit making concern. But here the Reserve Bank will be obliged to spend all this amount on its own and place its credit at the disposal of the people, minus one more profit-making agency, that is to say, the State Bank.

Coming next to the term of 20 years, my hon. friend here wondered whether there was any precedent to this.

(Interruption by Shri B. C. Ghose.)

I would like him to study the Bank of France Act and see how the Bank of France works there. There a portion of the profit is placed at the disposal of the rural credit side right up to a long term, at the disposal of the co-operative credit set-up in France. The Bank of France has two functions, it functions as the State Bank and it also performs functions similar to those of the Reserve Bank of India. Here, between these two, it is better that we entrust this work to the Reserve Bank of India and not to the State Bank.

Lastly, I hope the State Bank Bill also will be passed during this session. I am sorry that the Warehousing and Marketing Corporation Bill has not been brought in within this session itself.

MR. DEPUTY CHAIRMAN: I have still twelve more speakers to be accommodated and even giving only five minutes to each of them, it will mean one hour more. Shall we sit up to six o'clock?

SEVERAL HON. MEMBERS: Yes.

SEVERAL HON. MEMBERS: No.

DR. R. P. DUBE (Madhya Pradesh): Why should we, Sir?

MR. DEPUTY CHAIRMAN: Just to give time to hon. Members to speak.

DR. R. P. DUBE: Why should twelve Members speak?

MR. DEPUTY CHAIRMAN: I don't know.

DR. R. P. DUBE: Only one hour was allotted according to schedule.

SHRI K. S. HEGDE: There is an emergency party meeting.

DR. R. P. DUBE: We are not going to the party meeting, but we want to stick to the programme.

MR. DEPUTY CHAIRMAN: We will give one hour more, that will go up to 5-25 P.M. The hon. Minister wants 20 minutes and for the clause by clause consideration and the third reading, another 10 minutes, and so we will be closing by six o'clock, or a little earlier even, if hon. Members co-operate. Yes, Mr. Chaman Lall.

DIWAN CHAMAN LALL (Punjab): Sir, I do not desire to take much time over this little measure. I want to say only this that the hon. Member on this side, to my right, who has been a little critical.....

SHRI B. C. GHOSE: Critical of what?

DIWAN CHAMAN LALL: Critical about this particular measure not being adequate enough.....

SHRI B. C. GHOSE: I did not say that.

DIWAN CHAMAN LALL: Or not going in the right way.....

SHRI B. C. GHOSE: I did not say that either.

DIWAN CHAMAN LALL: Well then I have no quarrel with him; but I thought he was bubbling with little protests all the time that my hon. friend Mr. Parikh was speaking. But now that he has withdrawn his opposition, I have no remarks to say with regard to him.

Sir, I do want hon. Members to remember that this measure is one of the most revolutionary measures of the Welfare State which we have got at heart. This is something that is absolutely new in the history of co-operation in India. I want hon. Members to remember that.....

SHRI P. S. RAJAGOPAL NAIDU: I disagree.

DIWAN CHAMAN LALL: My hon. friend here says that he disagrees. But I will point out how I am correct and how he is in the wrong. I say from 1905 upto now, the co-operative movement, according to the report that my hon. friend pointed out, has failed. If it has failed, then it was necessary for Government to find in this new and dynamic situation created by these land laws and by the abolition of the larger landownerships, some means by which the co-operative movement may succeed. And what is happening now is something for which I congratulate the hon. Minister and the Government. What is happening now is that ways and means are being found for co-operation to succeed where it has so far failed. My hon. friend who said that he did not agree with me, will kindly look at the different steps taken in order to effect this and wherein each of these steps has, according to the committee of enquiry which had gone into this question, failed.

He will not then attempt to disagree with me in the remarks that I have made regarding the value of co-operatives.

SHRI B. C. GHOSE: Fresh measures may be necessary in future.

DIWAN CHAMAN LALL: Of course, they will be necessary. We are living in a dynamic age and what my hon. friend is seeking to do is not the last word on the subject. My hon. friend also knows that it is not the last word on the subject. On the contrary, Government has already indicated that following upon the Report of the Survey Committee, Government is going to bring another measure, a more comprehensive measure regarding warehousing and marketing, which will have a capital, I believe of about Rs. 20 crores to begin with. My hon. friend objected to the paucity of the amount made available.

SHRI B. C. GHOSE: I did not object.

DIWAN CHAMAN LALL: I am not referring to him.

SHRI B. C. GHOSE: Then why do you show your hands towards me?

DIWAN CHAMAN LALL: I do not see any reason why the hon. Member should take this upon himself. There is his colleague, sitting behind him who objected to it; my hon. friend over there objected to it. My hon. friend sitting over there objected to this forgetting the fact that the initial capital is Rs. 10 crores but that the Government is obliged every year to add another five crores. There is no limit put on that.

SHRI S. MAHANTY: But the Five Year Plan recommended Rs. 100 crores. What about that?

DIWAN CHAMAN LALL: True, but, Sir, a wise man husbands his resources. This is something completely

new that is going to happen. As I have said, if my hon. friend only looks at the history of co-operation he will find that it has failed. May I draw the hon. Member's attention to the MacLagan Committee's Report, 1915 which said that they fell short of the co-operative ideal; the 1928 Rural Co-operation on Agriculture noted the comparative evolution of the movement in some provinces; the Central Banking Enquiry Committee Report in 1931 noted the difficulties. What were the difficulties? They were its dilatoriness, inelasticity and inadequacy and concentration of these loans in few important hands. Then you have the Statutory Report of the Reserve Bank of India, 1937. It stated that loans were outstanding to the tune of about Rs. 24·5 crores, out of which Rs. 10·75 crores were shown as overdue. Then came the Agricultural Finance Supply Committee of 1945 which said that the role of the co-operative movement in the supply of agricultural finance was very small compared to the needs of the country, and that part of it which could be considered as efficient was smaller still. Further, it said that only in Madras the co-operative land mortgage banks had developed and those too were small compared with the requirements of long term financing. Then we had the Rural Banking Enquiry Committee of 1950 which said that sound and satisfactory co-operative banking structure existed only in a few regions, particularly in Bombay and Madras. The structure elsewhere was in a process of re-organisation, consolidation or rehabilitation and it was then early to say what the outcome would be. Finally, Sir, we have the Rural Credit Survey Committee which says that co-operative credit and rural finance of the country is even more insignificant than it is ordinarily supposed to be. Now, my hon. friend who said that he did not agree with me will be convinced that the state of affairs as far as rural credit is concerned is highly unsatisfactory. This is what my hon. friend is seeking to do by the introduction of this measure and the sister measure which

will be placed on the Table of the House by my hon. friend later on. What is needed is to bring relief to the agriculturists. It is said that 90 per cent. of the agriculturists get credit from private money-lenders and you know, Sir, about this matter, we have experience about this matter and we know what high rate of interest they charge. What is the Government's present supply of credit in this particular matter? 3·3 per cent. is the total amount of Government's supply and 3·1 per cent. is the supply by co-operative banks. My hon. friend Mr. Parikh was a little wrong in this; it is only 6·4 per cent.

SHRI C. P. PARIKH: One per cent. is by commercial banks.

DIWAN CHAMAN LALL: Of course commercial banks, but we are not talking about them, we are only talking about the co-operatives and the total amount of credit available is only 6·4 per cent. and it is an extraordinary thing. The agricultural money-lender provides 24·9 per cent. and the professional money-lender provides 44·8 per cent. This is an extraordinary state of affairs. In order to put an end to this tremendous burden upon the peasantry, the new type of peasantry that is coming up in India, becoming owners of the soil themselves, Government has brought this measure before this House and I recommend this measure in the spirit of the Welfare State for which, for the consolidation of which, such measures are wanted, needed and provided.

SHRI RAJENDRA PRATAP SINHA (Bihar): Mr. Deputy Chairman, while I agree with my hon. friend that the report which is before us, of the Committee of Direction, is a very very valuable report and a comprehensive one, I only wish that all the measures that are to be introduced in pursuance of the recommendations of this committee had been placed before us at a time so that we could judge what part of the recommendations Government

[Shri Rajendra Pratap Sinha.]  
is going to implement and what they are not going to accept. The report has said that India is essentially rural India and rural India is virtually the cultivator. We have just heard from my hon. friend Diwan Chaman Lall that the Government agencies and the co-operatives are providing hardly 6 per cent. of the total credit requirements of the peasantry in India. We know from this report that the total credit requirements of this country is round about Rs. 750 crores for agriculture. Government plans, under this Bill, to provide certain funds for the development of co-operative movement in this country. We would have very much liked to know from the Government as to what the targets are, in what time they want to provide credit to the agriculturists from the co-operative organisations and so on. We only know that 3:1 per cent. of the credit is being provided by the co-operative movement. We would like to know within what time they would provide at least 50 per cent. of the credit requirements of the agriculturists from the co-operative organisations. That type of planning is absolutely essential if we want to do quick work in order to ameliorate the conditions of the peasantry in India.

We amended the Reserve Bank Act in 1953 and we provided for medium term loan to be given by the Reserve Bank to the State banks but, of course, we placed three conditions on the grant of these loans. Firstly, Sir, they should be guaranteed by the State Governments; secondly, they must be equal to the own funds of the banks getting the loan amount and, thirdly, the total amount of the advances by the Reserve Bank was not to exceed Rs. 5 crores. I find that the committee to which I have referred has recommended in paragraph 8—page 396—that this statutory limit of Rs. 5 crores should be removed as also the restriction relating to the own funds of the State co-operative banks. I would like to know why Government is not implementing this part of the recommenda-

tions. We all know that the own funds of the co-operatives in India are very small. I find that the own funds of the banks all over India are only Rs. 4.26 crores which is equivalent to 11.6 per cent. of the total working capital of the co-operative banks. This was a limitation and, of course, the banks could not avail of larger amount out of this fund because of the limitation of their own funds. Now that, with the enactment of this measure, we shall be providing the share capital to the State banks, there must be no limit on their own funds. The own funds of the banks will also increase. So, I think we should accept the recommendations of committee and delete this provision of the limitation of five crores of rupees.

We would like to know as to what would be the rate of interest that would be charged from the cultivators for this loan. It would have been very good indeed, as in other countries, if a portion of the interest is borne by the Government. I find, Sir, that in other countries the rate of interest charged from the cultivators is very much lower than that charged here from the Indian peasantry. The Indian peasant has to pay near about 7 per cent. and in some States the rate of interest charged by the co-operative banks is as high as 9 per cent. Now I have got only figure of one country to submit. In the United States of America the rate of interest charged by the Government agencies is only 4.1 per cent. and by the insurance companies only 4.2 per cent. The average rate of interest charged by all concerned is only 4.5 per cent. In view of this I think that the Government should at least bear a part of the interest in order that the cultivators may get loan at a lower rate.

Then, Sir, coming to the provisions of this Bill, I would like an explanation from the hon. Minister regarding the definition of the clause 2(bb). I would like to know whether multipurpose societies will be entitled to

borrow under the provisions of this Bill or not.

SHRI P. S. RAJAGOPAL NAIDU: Multipurpose societies are primarily credit societies. So they come under this definition.

SHRI RAJENDRA PRATAP SINHA: That is all right, but there may be several functions combined in a multipurpose society and from the definition I find that it may be difficult for a multipurpose society to borrow from this fund.

Then, Sir, lastly I would like to say one word, that it has been mentioned in the report that State banks, apex banks, will also have a stabilisation fund. Now, is there going to be any restrictions on the advances to be made by the Reserve Bank to the apex banks out of the stabilisation fund of the Reserve Bank? Will it be related to the quantum of the stabilisation fund owned by the State banks? If that is so, Sir, then I do not think that the apex banks will be in a position to take full advantage of this stabilisation fund.

Thank you, Sir.

BEGAM AIZAZ RASUL (Uttar Pradesh): Mr. Deputy Chairman, I heartily welcome this measure and I congratulate the Government for bringing it forward. As has been rightly said, Sir, this is a very revolutionary and at the same time a very important legislation, it certainly is a link in the chain of those important legislations which are going to achieve the object of making our country a welfare State.

Not having much time at my disposal, I will just confine myself to a few remarks. Everyone in this House knows and a great deal has been said and written about the question of rural credit and indebtedness and the heavy burden under which our poor peasants have been suffering on account of the exorbitant interest charged by the

rural money-lenders-cum-banias for the loans they advance to them. They are like blood-suckers who extract every drop of blood from these peasants through the very high rate of interest they charge. It is high time, Sir, that Government stepped in and brought forward some measure which would improve the conditions in the countryside.

There is no doubt that the co-operative is one of the important organizations through which the problem of rural credit can be effectively solved. The Reserve Bank started giving some credit to the co-operatives in 1944-45. Since then it has been gradually increasing.

Now, Sir, this Bill before us provides for two funds to be set up by the Reserve Bank. They will implement the machinery for dealing with agricultural finance and rural credit and help in effecting a closer connection between agricultural enterprise and the operations of the Bank. They will help in basing our agricultural economy on a surer foundation. Today, Sir, we have about two lakh co-operative societies in our country—I am speaking from memory—and in a country where there are over five lakh villages, there is no doubt that there is great scope for increase and improvement of this number, but, any how, the very fact that there is such a large number of these societies and that the co-operative movement is gaining ground in our country and more and more people are taking advantage of this movement goes to show that a beginning on the right lines has been made. Sir, I feel that the future of the country depends on the co-operative spirit. In my own State of Uttar Pradesh, this movement has made great progress—and we have a number of banks also—and the societies are functioning very well but much improvement in organisation and working is required. Although 'Co-operative Societies' is a State subject in the Constitution the Reserve Bank,

[Begam Aizaz Rasul.]

now that it is going to advance moneys to the States for the improvement of the societies should see that these societies are reorganised. The function of these societies should be, besides advancing loans, to help the agriculturist in getting better prices, to provide marketing societies and to encourage peasants to put in their small savings. Much has been said and I quite agree that the amount that has been sanctioned in this Bill is not a very large amount, but if these peasants put in their savings, there is no doubt that this amount will be augmented to a great deal.

During my visit to Japan last year and again to Turkey this year I saw that banks there were playing a very effective role in building up the national economy of the country. We saw in Turkey banks of every kind set up by the State which are advancing money to societies and to individuals in order to help them in agricultural development housing facilities and all branches of national reconstruction.

In the same way in Japan, where cottage industry is an established industry and a great success, they have co-operative societies all over the country. They are the back-bone of these cottage industries, they procure, they fix the prices for these products and see to their proper distribution and disposal. In other words, from the first to the last stage they make all arrangements for procuring, manufacturing and marketing of these products. There is thus no clash between big and small cottage industries. So I should like that the Reserve Bank should also take up all these matters and devise schemes on similar lines. With these words, I support this Bill.

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

SHRI P. S. RAJAGOPAL NAIDU:  
Mr. Vice-Chairman, my friend Diwan Chaman Lall is not here. I wanted to

speak on my own on the Bill, but after hearing Shri Diwan Chaman Lall I feel I should reply to him. He saw something in this book and began to speak something, on which I disagree with him.

Sir, co-operation has existed for the last fifty years. It has existed not because of any help that the Government has rendered to the co-operative movement. It has existed in spite of the Government for all these fifty years that is because of the thrift self-help and voluntary efforts put in by the people. Right till the year 1945 there was not even a single pie of help from the Government of India by way of loan to the co-operative movement. It is only in the year 1945 for the first time that the Government had come in and advanced Rs. 1.25 lakhs by way of loan through the Reserve Bank. That amount in 1947-48 was increased to Rs. 16.8 lakhs. In 1951 and 1952 it was raised to Rs. 537 lakhs and in the year 1953 it has gone up to Rs. 11.9 crores.

Sir, most of us have read the Five Year Plan and it has been stated that under the Five Year Plan Rs. 100 crores would be made available to the co-operative movement by way of short term credit. Rs. 25 crores, it has been stated, will be made available to the co-operative movement by way of medium term credit and Rs. 5 crores, it has been stated, will be available to the co-operative movement by way of long term credit. How much has been advanced by the Reserve Bank in the year 1953-54? Only a sum of Rs. 11.9 crores has been advanced in the year 1953 and in the year 1954 I presume it is Rs. 14 crores. Then in the Five Year Plan it has been stated that nearly Rs. 130 crores should be advanced by way of short term, medium term and long term loans, why only Rs. 14 crores have been advanced so far? My friend was able to point out that the amount of credit that was available through co-operatives was 3.1 per cent. of the total credit that

was made available to the rural population while the total credit made available by the Government was only 3.4 per cent. If co-operatives have existed all these years it is because of their own voluntary efforts, by their own methods, namely, thrift self-help and co-operation. They have been able to advance 3.1 per cent. of the credit while the Government with all its mighty resources has been able to advance only 3.4 per cent. What co-operation has done all these years for the rural population, the Government has also done the same thing. How then, can it be said that co-operation is a failure? I need not enlarge on this point any further except to read one sentence from the report about what the Government has done to the co-operative movement. It is a significant sentence: "The State's way of help hitherto has been to over-administer and under-finance." This one sentence is enough by way of reply to my friend Diwan Chaman Lall.

Sir, the Rural Credit Survey Report has been published in three volumes. What has been made available to the public is only Volume II. We do not know why Volume I has not been made available to the public. It has been stated that it is secret and that it will not, therefore, be made available to the people. I do not know what is the secrecy about it. We find that the Report of the Committee of Direction is presented in three volumes which in themselves can be regarded as separate but complementary to the Survey Report which is not made available to us, I would request the hon. Minister to get up and say why volume I has not been made available to us. The second volume which has been published is only a general report and contains the various recommendations. The third volume is the Technical Report. I was told that the third volume is in print and that it will be made available soon.

Sir, one of the most important recommendations that has been made

by the Rural Credit Survey is State partnership with co-operatives at all levels. It will take a long time for me to show as to how far State partnership with the co-operatives can be a success and whether we can call such a movement as co-operative. The cardinal principles of any co-operative institution are firstly, the number of shares, that an individual can have, is restricted and, secondly, whatever the number of shares held by the individual he will have only one vote. But here the Government will have 51 per cent. of the share capital so far as the State bank and other apex banks are concerned. The Government will have their own nominees nominated as Directors of the bank. The Government will also have the veto power. Instead of all this Government itself can have a separate organisation for this rural credit. My support to this Bill is only for one reason, namely, more credit is made available to the rural population. (Time bell rings.) I want only two more minutes, Sir.

THE VICE-CHAIRMAN (SHRI V. K. DHAGE): You would be wanting to take a good bit of the time because you gave up your opportunity the other day, but the time is fixed.

SHRI P. S. RAJAGOPAL NAIDU: I will give some figures and stop. It has been stated that Rs. 10 crores would be made available under the Long Term Operation Fund; but for how many purposes? It is for three or four purposes. The first important purpose for which the Long Term Operations Fund is made available is to finance the State Governments with a view to enabling the State Governments to invest by way of share capital in the State co-operative banks; secondly, to finance medium term loans and thirdly, to finance long term loans. The share capital of the State co-operative banks which number 16 in all is Rs. 1,90 crores while the loans advanced by these 16 State co-operative banks amount to nearly Rs. 54 crores and odd.



THE VICE-CHAIRMAN (SHRI V. K. DHAGE): State banks or Provincial apex banks?

SHRI P. S. RAJAGOPAL NAIDU: Provincial apex banks or State banks are one and the same. The Central banks which are 509 in the whole country have a total share capital of Rs. 4.62 crores and the loans advanced by them come to over Rs. 100 crores. The share capital of the primary credit societies which are over one lakh in number is Rs. 8.92 crores while the loans advanced by them amount to Rs. 33.66 crores. These are all for rural credit; I am not talking of the credit given to societies for non-credit purposes. The total loans advanced for agricultural credit purposes come to nearly Rs. 200 crores and the total share capital held by banks and societies amounts to nearly Rs. 20 crores.

Coming to institutions dealing with long term loans, the share capital of the Central Land Mortgage Banks, numbering six, is Rs. 7.83 crores. There are 289 primary land mortgage banks and the loans outstanding against them are Rs. 6.96 lakhs. If you total up all these figures, the share capital of all the co-operative institutions, State co-operative banks, district co-operative banks, primary credit societies, land mortgage banks, etc., it comes to Rs. 40 crores. It is the intention of the Government to take up 51 per cent. of this, so that all these co-operative institutions become State controlled or State managed. So even to invest 51 per cent. of the capital and to become a partner in the co-operative institutions.....

SHRI H. C. DASAPPA: May I point out that the conclusion of the report to which the hon. Minister referred was as follows:

"For implementing the programme of marketing, storage, warehousing and other processes visualised by the various States it would be necessary however to raise the initial and recurring contribution proposed to be

made out of the Central resources to Rs. 20 crores and Rs. 10 crores respectively."

SHRI P. S. RAJAGOPAL NAIDU: I am not talking about warehousing and other facilities. I am merely dealing with the credit structure of the co-operative movement.

SHRI H. C. DASAPPA: I say, they have made it Rs. 20 crores.

THE VICE-CHAIRMAN (SHRI V. K. DHAGE): Mr. Naidu, are they wanting to have the share capital of the co-operative banks or do they want to have 51 per cent. of the share capital of the State Bank which they want to establish?

SHRI P. S. RAJAGOPAL NAIDU: It is the intention that the State Governments should take 51 per cent. of the share capital in the State co-operative banks; that the State co-operative banks should take steps to invest 51 per cent. of the share capital in the district co-operative banks, and that the district co-operative banks should invest a similar amount in the rural credit societies. Under this Long Term Operations Fund they are providing Rs. 10 crores for all these purposes, so that they may advance loans to the State Governments to enable them to give loans to the State co-operative banks which in turn can invest in the district co-operative banks and so on.

SHRI H. P. SAKSENA (Uttar Pradesh): What is the harm in it?

SHRI P. S. RAJAGOPAL NAIDU: There is no question of harm. I only want more money. This amount of Rs. 10 crores is not enough.

DR. RADHA KUMUD MOOKERJI (Nominated): Sir, nobody has any objection to the scope and character of the Bill that has been introduced by the hon. the Deputy Finance Minister.

SHRI S. N. DWIVEDY (Orissa): He is not Deputy Minister; he is Minister for Revenue and Defence Expenditure.

DR. RADHA KUMUD MOOKERJI:  
No; is he not.....

THE VICE-CHAIRMAN (SHRI V. K. DHAGE): It does not matter.

SHRI B. C. GHOSE: It does matter in terms of salary and position.

DR. RADHA KUMUD MOOKERJI:  
Of course, there has been some discussion as to the particular machinery that has been employed for the purpose about which we are all agreed. Perhaps it would have been possible to suggest some other kind of machinery if the House had been given more time for it. Sir, I am somewhat pessimistic as to the main purpose of the Bill that is, the future of the peasantry of India. I do not know if the Government is realistic enough in regard to the objective with which this Bill has been introduced. No doubt, we are all anxious that agriculture must be improved, but what are the conditions under which agriculture is being pursued in India? The Government must know that agriculture is in the keeping of small farmers who own less than three acres per head of land for cultivation. Therefore, it is not really a question of helping the small farmer to stand on his feet, but it is a question of rehabilitation of agriculture that has been suffering so much on account of the excessive fragmentation of agricultural holdings. You are talking about security and loans for these millions of small farmers who can hardly offer you any security for the proposed loan. I do not think it is possible to give loans on proper security to small farmers for the simple reason that the small farmers are not able to offer any substantial security which will satisfy the banking principles. There may be no doubt the system of crop loans, that is short period loans advanced on the security of the crops in the field. But what I feel is this. The real problem of agriculture is that of rehabilitation of

the small farmer. Now, if this Bill empowers the Government to go to the root of the agricultural problems of the country and apply the remedy to the root, then alone you can talk profitably in terms of offering financial facilities for the rehabilitation of agriculture. Now, according to what I have been able to gather from a life-long study of agricultural problems, both in an official and non-official capacity—because I served on two agricultural commissions—the remedy is that this Bank should be able to devise schemes of rehabilitation of agriculture, instead of thinking in terms of loans and narrow banking considerations, for the simple reason that it is not possible for the small farmers to offer any security. It is better that we so reorganise the small farmers of the country, whose number runs into millions; it is far better that we try to reorganise the small farmers of the country on a basis by which the small farmers will be able to earn profit by their agricultural occupation. That means for instance, that the small farmers must be brought together in co-operative schemes for the purpose of common management of their small holdings, so that by this device of common management to be financed by Government, every small farmer will perceive that he has all the advantages of collective farming without being compelled to surrender their private property and their small holdings. So, that is the main problem of the agricultural situation. I, therefore, wish to suggest that the banks concerned should have a free hand instead of being tied down to merely advancing loans on securities to the farmers and agriculturists. That way the agricultural salvation of the country does not lie. (*Time bell rings.*) On the contrary the salvation of the small farmers would lie in their rehabilitation. The rehabilitation of these small farmers would rather lie in the help that the Government can directly make to see that small farming is rendered profitable on the basis of common management of these small farms, so that by

[Dr. Radha Kumud Mookerji.]  
financing these co-operative agricultural schemes, mutual aid societies, a better agricultural future can be assured, instead of by advancing loans at high rates of interest on securities which have absolutely no value. I do not know whether my remarks are quite relevant to the scope of the Bill, because the Bill wants to set up certain machinery for lending aid to the farmer. I say that instead of lending it, you must extend the scope of your functions so as to include the financing of co-operative endeavour by which alone agriculture in India can be made profitable.

श्रीमती सावित्री निगम (उत्तर प्रदेश): उप-सभाध्यक्ष महोदय, सदा की भांति आज भी मुझे अंतिम समय में थोड़ा सा अवसर दिया गया है।

श्री गोपीकृष्ण विजयवर्गीय (मध्य भारत): अंतिम समय में ?

श्रीमती सावित्री निगम : जब कि बिल पर डिस्कशन समाप्त होने को है तब समय दिया गया है।

श्री उपसभाध्यक्ष (श्री वी० के० धंग): यह तो मेरा कसूर नहीं है।

श्री एस० एन० द्विवेदी : अभी तो एक घंटा बाकी है।

श्रीमती सावित्री निगम : फिर भी यह जो रिजर्व बैंक आफ इंडिया का अमेंडमेंट बिल है उस पर मैं सरकार को बिना हार्दिक बधाइयां दिये हुये नहीं रह सकती।

[Mr. Deputy Chairman in the Chair.]

श्रीमन्, देश की बैंकिंग व्यवस्था में सुधार का यह बड़ा ही महत्वपूर्ण और क्रांतिकारी कदम है। इसके द्वारा न केवल हम ग्रामीण क्षेत्र में विकास के नये द्वार खोलने वाले हैं बल्कि साथ ही साथ गरीब किसानों और मजदूरों को

महाजनों के उस चंगुल से छुटाने का बंदोबस्त कर रहे हैं जिसमें कि वे सदियों से पिसते आये हैं। कोआपरेटिव स्ट्रक्चर में स्टैंड पार्टनरशिप के इस मूव का कौन स्वागत न करेगा ? अभी माननीय सदस्य नाथू जी ने कहा कि इसमें ५१ परसेंट शेयर्स गवर्नमेंट के रखे गये हैं और इसी तरह स्टैंड बैंक्स और डिस्ट्रिक्ट बैंक्स से भी रखने को कहा गया है। मैं तो कहती हूँ कि इससे इतनी ज्यादा सिक्योरिटी हो जाती है, इतनी ज्यादा लोगों को सुविधायें बढ़ जाती हैं कि कोआपरेटिव बैंक्स के कार्य में अब तक जितनी कठिनाइयां होती थीं उनसे बचने का एक बहुत बड़ा सुभीता हो जाता है। मुमकिन है कि उधार की रकम बहुत ज्यादा नहीं बढ़ी हो फिर भी एक बहुत बड़ी सिक्योरिटी हो जाती है, और इसलिये भी मैं इसका स्वागत करती हूँ।

रिजर्व बैंक के कंधों पर जो नई जिम्मेदारी आई है इससे हमारे देश का कोआपरेटिव स्ट्रक्चर बहुत मजबूत होने वाला है, इसमें कोई शक और शुबहा नहीं है और इससे किसानों को भी सुविधायें मिलने वाली हैं लेकिन सवाल यह है कि यदि इस अमेंडमेंट बिल के पास होने के बाद भी कोआपरेटिव बैंक्स की दशा वही बनी रही जो कि आज है तो फिर मेरी समझ में नहीं आता कि हमारे किसान भाई किस तरह से इसका उचित लाभ उठा सकेंगे। आज भी जो सरकारी कोआपरेटिव बैंक्स हैं उनके जो कर्मचारी हैं वे तरह तरह की तरकीबें निकाल निकाल कर किसानों का शोषण करते रहते हैं। कोआपरेटिव बैंक्स की तरफ से किसानों को जो उधार दिया जाता है उसको पास करने में वे तरह तरह की रिश्वत किसानों से लेते हैं और बेचार किसान अनभिज्ञ होने के कारण कुछ रुपया कोआपरेटिव बैंक्स से लेते हैं और कुछ रुपया कर्मचारियों से लेते हैं जो कि उनको कर्मचारी सूद की बड़ी बड़ी दरों पर देते हैं। तो इस तरह से भी वे किसानों का शोषण करते हैं। इसके लिये मैं एक सजेशन देना चाहती हूँ। वह यह है कि कोआपरेटिव बैंक्स में कुछ ऐसी व्यवस्था कर दी जाय कि

ग्रामीण भाइयों को एक एडवाइजरी कमेटी में रख कर कर्मचारियों और ग्रामीण भाइयों दोनों के संयुक्त मन्तव्य के बाद यह निर्णय किया जाय कि किस तरह से किसानों को लोन दिया जाना चाहिये। यदि ऐसी व्यवस्था हो जाय तो इस प्रकार का शोषण किसी हद तक कम हो सकेगा। इसके अतिरिक्त पर्सनल के द्वारा जो शोषण होने की संभावना है वह भी बहुत कम हो जायेगी जैसा कि माननीय सदस्य रंड्डी साहब ने कहा। मुझे भी बहुत शक है कि यह जो इतनी बड़ी व्यवस्था की गई है और इससे जो किसानों को इतना ज्यादा लाभ होने वाला है उसमें पर्सनल की खराबी की वजह से कहीं ऐसा न हो कि यह लाभ किसानों को न मिल कर अन्य कर्मचारियों को मिलने लगे और किसानों का दुख उसी प्रकार का बना रहे।

श्रीमन्, दो तीन बातें मुझे और कहनी हैं। जैसा कि इस बिल में है कि वेयरहाउसिंग बाइल्स बनें उसी तरह से मेरा यह कहना है कि गांवों में मूल्य निर्धारणी समितियां भी कोऑपरेटिव सोसाइटीज के अन्दर सरकारी स्तर पर बनाई जानी चाहियें। इससे यह होगा कि जो अनाज के दामों में गिरावट आने की संभावना सदा रहती है वह संकट नहीं आ पायेगा।

श्रीमन्, एक बात मुझे और कहनी है। वह यह है कि रिजर्व बैंक के ये जो संकशंस होंगे उनमें एक एडवाइजरी बोर्ड बनाया जाय और उसमें एग्रीकल्चर मिनिस्ट्री और दूसरी मिनिस्ट्रीज के आफिसर्स रहें। जैसी कि रूरल क्रेडिट सर्वे रिपोर्ट में एक जगह पर सिफारिश की गई है कि कुछ एग्रीकल्चर मिनिस्ट्री, फूड मिनिस्ट्री के लोग रहें और कुछ कामर्स एंड इंडस्ट्री मिनिस्ट्री के एक्सपर्ट्स रहें और वे एडवाइजरी बोर्ड में रह कर समय समय पर सलाह देते रहें कि किस प्रकार लोगों को और सुविधायें दी जा सकती हैं और किन किन दिशाओं में और सुविधायें देने की आवश्यकता है, तो उससे काम बहुत आसान हो जायेगा।

MR. DEPUTY CHAIRMAN: That will do, Madam.

श्रीमती सावित्री निगम : अभी तो थोड़ी सी बात मुझे और कहनी थी।

श्री उपसभापति : टाइम नहीं है।

श्रीमती सावित्री निगम : तो धन्यवाद।

SHRI H. P. SAKSENA: Sir, if any Government measure was fit enough to be known as non-controversial, it is, in my opinion, this amendment of the Reserve Bank of India Act.

This amendment creates for the first time a machinery to provide financial assistance to the 70 per cent. of the people of this country whose avocation is cultivation. It is common knowledge that these poor *Kisans* were, up till now, victims of the village *banias* who stooped to the meanest and the foulest means to squeeze money out of these poor people, and there was no escape from that tyranny and terror. I do not mean to suggest that this paltry amount of a few crores of rupees would be sufficient to finance all the tenantry of this country, but after all, it is a beginning in the right direction. I am, on the other hand, not very much in favour of making our honest, unsophisticated and simple *kisans* loan-minded and asking and applying for loans for the simple reason of obtaining loans. I would be the last man to recommend that. These things should be resorted to only when there is no other method.

Now, Sir, most of my hon. friends have said that this amount which will be placed at the disposal of the Reserve Bank is too small to serve any very useful purpose. I am sure, the Government will pay special attention to this point and increase the amount of loan, as far as it is possible.

Now, Sir, there was some talk about the closing of the London office. I do not understand why it should be

[Shri H. P. Saksena.]  
 necessary to close our London office. The Reserve Bank is our bank; it is a national bank, and there are other banks which are opening their offices all over the world. Why should our Reserve Bank also not extend its activities and have its office not only in London, but in all the European countries also, in order to increase its banking activities? So, I do not see any necessity of doing away with the very idea of having its office in London. So, I am not very much in favour of that thing.

SHRIMATI SAVITRY NIGAM: It will not be obligatory.

SHRI H. P. SAKSENA: Sir, I know it will not be obligatory. It will be open to make it remain or to close it. But I am not in favour of its being closed down.

Now, Sir, one serious defect that I find in this Bill is this, that the money will have to pass through so many hands. Before it actually reaches the *kisans*, most of it will have gone out of their reach. They will have to satisfy so many people, and they will have to grease the palms of so many people, before those small amounts of loans come to their hands. I would, therefore, have very much liked if a simpler process had been evolved in order that the money granted by the Reserve Bank as loan to State banks had reached the actual receiver of the money in as simple a way as possible. With these words, Sir, I wholeheartedly support the Bill, and I congratulate my friend, Mr. Ranga, for the red letter day that this measure provides for him.

SHRI K. C. KARUMBAYA (Ajmer and Coorg): Mr. Deputy Chairman, I congratulate the Government, the Reserve Bank, the committee which went into the whole case, and the hon. Minister piloting the Bill.

Sir, I come from a State where co-operative movement has made

sufficiently good advance. My state has a population of 2,29,000 people. It has only 300 villages where there are 400 societies, and about 50,000 people are members of the societies. I would like to place before the House the way in which co-operative movement has been working in that State. Speaker after speaker has said that 70 or 80 per cent. of the people will be served by the Bill which is now before the House. But my experience has been otherwise. The reason is this. The majority of the farmers, the peasants, in the villages do not hold economic holdings. Probably only 10 to 15 per cent. of the farmers hold economic holdings, and the rest 75 or 85 per cent. do not hold economic holdings. And the State bank of Coorg has been lending money. Loans have been granted which are repayable in instalments, within a period of some years—two years, five years or ten years. And the result is that the farmer with uneconomic holdings has borrowed money to the fullest extent, and has probably reached the saturation point. Now, it is said that this amending Bill will be helping those 70 or 80 per cent. of the people. I very much doubt that, Sir, because the farmer has no credit, he has mortgaged all his property to the co-operative society, and he has borrowed money and if this Bill comes into force, I do not know whether he will be in a position to borrow any more money. Although the agricultural produce has been fetching more and more price since the year 1940, the condition of the farmer has gone from bad to worse as it is known to everybody. Now the price of food-grains has been going down. I do not know whether the farmer can be given more money to redeem his debts. And, therefore, Sir, though the object of the Bill is very laudable and deserving of congratulation, the diagnosis that has been made of the problem is not correct, according to me.

I would like to submit, Sir, that there are various other factors that

have got to be considered by the Government. A moratorium has to be declared for about two or three years. Otherwise the major portion of the loan that the farmer will be given, under these conditions, will go to his creditors. And if the money which he borrows goes to his creditors, it will not be invested on the production side. And if it is not invested on the production side, he will not be in a position to repay the loan. And, therefore, I suggest that at least for two or three years, moratorium must be declared, and the price of the agricultural produce must be controlled and measures taken to keep it at economical level. And some other security besides landed property must be found out for the purpose of giving loans. As it is, 75 to 80 per cent. of the farmers have no credit whatever. If the hon. Minister says that this is only a measure for helping only 10 to 20 per cent. of the farmers, I have nothing to say, but if he is keen on helping 75 or 80 per cent. of our people, then the method of doing it must be changed. With these words, I support the Bill.

SHRI KISHEN CHAND (Hyderabad): Sir, I wholeheartedly support this Bill. I am very glad that the Government has at long last thought of the rural population and of providing some credit facilities to them. If any criticism is offered, it is not against the principle underlying the Bill but against the method of approach. An hon. Member has pointed out that nowhere in the world a State bank charged with the currency and issue of bank notes ever takes up this type of work. As you know, Sir, we are now going in for deficit financing by the issue of treasury bills to the extent of Rs. 300 crores and I suppose that in the near future the Reserve Bank may have treasury bills to the extent of a thousand crores in its possession. In these circumstances, to entrust the work to the Reserve Bank when the hon. Minister is bringing forward another

Bill for the setting up of a State Bank is not proper. The object of this Bill is very good but that same object can be better achieved by transferring this type of activity to the new State Bank which is going to be formed. Our object is that the rural population may get credit at low rates of interest but by the present method of interposing three intermediaries—the apex bank, the Central bank and the co-operative societies—you will not be able to achieve this object. If each intermediary adds one per cent. for expenditure and one per cent. for reserve funds, it means an additional 6 per cent. and, therefore, normally the societies will not be lending at less than 9 per cent. The proposed State Bank is going to establish about 400 branches. That means that each branch will be looking after one thousand villages. When there are thousands of accounts opened in a branch, it is quite easy for that State Bank to take over this type of work also. The State Bank is going to advance short term loans on the security of food grains kept in the warehouses. If the State Bank takes over the medium and long term credit, the result will be that the State Bank will be giving loans directly to the co-operative societies, which will have direct access to the State Bank by opening accounts in the State Bank. The result will be that things will be expedited. By having too many intermediaries you will, over and above adding to the cost, be adding to red tape. At present the co-operative movement is not popular on account of two faults. One fault is the high rate of interest, the other fault is delay. By this Bill you seek to achieve a good object, but you are adopting the wrong method.

SHRI P. S. RAJAGOPAL NAIDU: I don't know why my friend is saying that the co-operative societies charge a high rate of interest. That might have been the case in the past, but it is not so now.

SHRI KISHEN CHAND: Even if it is 6 per cent. it is high, when the Reserve Bank is advancing money only at 1½ per cent. It is a relative thing, whether it is 9 per cent., 12 per cent., or 20 per cent. Sir, I support this Bill, but I would request the hon. Minister to consider this proposition that the Reserve Bank should not advance this type of loans but that this work be entrusted to the State Bank which is coming.

श्री गांधीकृष्ण विजयवर्गीय : उपसभापति महोदय, मैं इस बिल का हार्दिक समर्थन करता हूँ। असल में किसान की सारी गरीबी उसको क्रेडिट या कर्ज का रुपया न मिलने से है; इसके अलावा बीच के लोग मुनाफे की रकम खा जाते हैं और सहकार संस्थाओं यानी कोआपरेटिव सोसायटीज के इंटरस्ट रेट्स भी काफी ऊंचे रहते हैं। रिपोर्ट में बतलाया गया है कि कोआपरेटिव सोसायटीज जो क्रेडिट दे रही हैं वह कुल का २ पर सेंट हैं। यह बहुत ही कम है और हर एक व्यक्ति इसका स्वागत करेगा कि इस वक़्त रिजर्व बैंक के थू हम ज्यादा रुपया दे रहे हैं। इसलिए, जैसा कि स्कूसेना जी ने कहा, यह बिल वास्तव में कोई विवादास्पद बिल नहीं है। हर एक पार्टी और हर एक व्यक्ति की तरफ से इसका समर्थन हुआ है। अभी एक कंप्यूजन इसमें यह है कि एक दूसरा बिल भी आ रहा है जो कि स्टेट बैंक बिल है। वह बिल भी दहाती क्रेडिट को कंट्रोल करने वाला है और उसके आ जाने से किस तरह से दोनों के बीच सामंजस्य होगा और कोई गड़बड़ी तो नहीं होगी इस सम्बन्ध में मेरा खयाल है कि मिनिस्टर साहब स्पष्ट करेंगे कि ये दोनों संस्थाएं रूरल क्रेडिट की व्यवस्था को किस प्रकार से चलाएंगी।

बहरहाल, कोआपरेटिव सोसायटीज को ज्यादा रुपया देने के लिए ये जो दो फंड्स क्रिएट किये गये हैं यह बहुत मुनासिब कदम हैं, लेकिन किसान की समस्याएं और भी बहुतसारी हैं। न सिर्फ यही, बल्कि कोआपरेटिव सोसायटीयां में करप्शन बहुत है। जब तक

वह करप्शन नहीं मिटता, हमारे हिन्दुस्तान की कोआपरेटिव संस्था तरक्की नहीं कर सकती। लड़ाई के जमाने में भी बहुत से लोगों ने कंट्रोल का सामान लेने के लिए बहुत सी कोआपरेटिव सोसायटीयां चलाईं। ऐसी सोसायटीयां में दूसरे लोग जो पैसा लगाते हैं, किसी का उनमें बहुत धोड़ा शेयर होता है और जिनके पास पैसा ज्यादा लगाने को होता है उनके ज्यादा शेयर होते हैं। दरअसल मैं नहीं समझता हूँ कि वे कोआपरेटिव सोसायटीयां होती हैं, एक प्रकार से नकली किस्म की कोआपरेटिव सोसायटीयां वे हुईं जिनसे किसानों को ज्यादा फायदा नहीं होता है। इसलिए अब इस प्रकार की नकली सोसायटीयां को और ज्यादा खोलने की कोई जरूरत नहीं रही। जब हम काश्तकार की हालत को सुधारने के लिए एक प्लानिंग कर रहे हैं, सोशलिस्टिक सोसायटी बना रहे हैं, तो अपने देश के किसानों की सारी समस्या हल करने के लिए और भी कई बातें सोचनी पड़ेंगी। हमको किसानों से संबंधित तमाम लैंड लाज को पूरी तरह से बदल देना पड़ेगा और कोआपरेटिव फार्मिंग का कानून भी बनाना पड़ेगा। हमको काश्तकारों को इस तरह की सुविधाएं देनी पड़ेंगी जिनसे वे लोग मिल जुल कर खेती कर सकें और अपनी जरूरत की चीजें खरीद करने के लिए और बेचने के लिए मल्टीपरपज कोआपरेटिव सोसायटीयां चलाएं। काश्तकार आजकल बहुत इग्नोरेंट हैं, वह समझता नहीं है कि रूल्स एंड रेगुलेशंस क्या हैं, इसलिए वह सोसायटीज अच्छी तरह से नहीं चला सकता है। हमारे इस कोआपरेटिव मूवमेंट का आइडिया, इसको चलाने का विचार, बहुत उपयोगी होते हुए भी वह हमारे देश में उतना सफल नहीं हुआ। इस निराशा के वातावरण में किस प्रकार इस बिल के जरिये उस मूवमेंट को आगे ठीक ढंग से चलाया जाय, यह एक सोचने की बात है। बहरहाल, सुधार तो किसान के लाभ के लिए हमें बहुत से करने हैं, और इसको एक शुरुआत समझना चाहिए। यद्यपि इससे सारी समस्याएं हल नहीं होंगी, लेकिन यह एक प्रारम्भिक

कदम होने की दृष्टि से मैं इसको बड़ा महत्वपूर्ण समझता हूँ।

SHRI AKBAR ALI KHAN (Hyderabad): Mr. Deputy Chairman, I wish the Business Advisory Committee had allotted more time to this important measure. It is true that it is not controversial, but it is not as non-controversial as the change in the designation of the Commander-in-Chief. The problem of the indebtedness of agriculturists has been agitating us for the last so many years. There have been any number of committees and recommendations culminating now with the recommendations of the All India Rural Credit Survey Committee, appointed by the Reserve Bank of India under the chairmanship of Mr. Gorwala. One has to see the different aspects of the problem, to see how far these recommendations are correct. I wish we had paid more attention to the co-operative movement in relation to rural problems. Anyhow, I strongly commend the Bill for the acceptance of the House.

I have only a few things to say. A French proverb says that credit gives support to a farmer as the hangman's rope gives support to the man who is hanged. That is the position of credit so far as the cultivators are concerned as they depend on the mercy of money lenders. Sir, we give our full support to the measure since it brings some much-needed help to the agriculturists by providing organisations and funds to replace money-lenders. It is true that the problem is a complex one and has to be tackled on all fronts. But we have now to face it and solve it. I will not digress into the different things which would help to improve the condition of cultivators. It is necessary to adopt other measures but now what we are discussing at present is the problem of credit—credit and credit alone. So confining ourselves to that issue, I think the recommendation so far as the establishment of these two agricultural credit funds by the Reserve Bank is concerned, with the help of the Government, is a matter which

is really a very great step towards the amelioration of the condition of the credit and to remove indebtedness of our cultivators in which they have been involved for centuries. Now there is no time to go into the details as to what steps have so far been taken and with what result. In the present Bill, the machinery for implementation has been accepted to be the co-operative machinery and this part also I commend for approval of the House. But while accepting and commending the co-operative machinery for which I give full credit to the framers of this report as well as for the fact that they have gone into details with great pains but I cannot help saying that they have failed to realize and appreciate the spirit of the co-operative movement and its basic principles and the service it has rendered. That is where I find fault with this report. It is true if you say that the co-operatives have failed in the sense that they have given relief only to the extent of 3 per cent. I accept it but if that voluntary movement, of its own accord, without much support from the Government—on the other hand with great difficulties, inherent in such a voluntary movement—has given that much help, I think it would be wrong to say that the co-operative movement has failed. The co-operative movement has not failed. While, in bringing in the partnership of the Government with the co-operatives to a certain extent and to the extent of the financial help—I welcome it—they have absolutely gone against the very spirit of the co-operative movement when they suggest the control of the Government. What is co-operative movement? It is something which comes voluntarily, coming from the very source of it—from the people it comes—an effort to rebuild the society economically without outside control. Now they have made it in other words, a Department of the Government by suggesting several controls over it. This is not right. The other thing the very spirit of the co-operative movement, is against the principles underlying the formation of



[Shri Akbar Ali Khan]  
the joint stock companies. The joint stock companies direct that there should be one vote for each share and if there are 100 shares, there will be 100 votes. Here it may be one share or 100 shares but the vote will be one. That is the basic democratic principle of co-operative movement. In other words, we do not attach importance to the wealth but to human rights. Now the Government wants to have 51 shares, and by force of the majority of shares, to control it. These are some of the things to which I think, the authors of this report have not given any consideration and I am sorry to say, they have not appreciated the spirit of the co-operative movement. I am sure that, if all the suggestions of the report are implemented, the co-operative movement will not be the co-operative movement which it has been and which it ought to be according to its well-recognised principles.

So far as the commendation of this Bill is concerned—I am not going into details as there is neither time nor occasion for it. As some of my friends like Mr. Mazumdar and Mr. Ghose have mentioned of course, it can be considered as to what should be the best way to implement it and what should be the best way so that our cultivators may get the maximum advantage of this far reaching welfare measure. This is a matter which will have to be adverted to at a later stage—on some occasion but I now emphasise and emphasise strongly that if you want to take the help of the co-operative institutions do take it but don't kill the spirit of the co-operative movement which is its voluntariness, independence and democratic frame. Let us try our best to improve the condition of cultivators which we all desire to improve through the co-operative movement maintaining its basic principles. Thank you.

SHRI A C GUHA Sir, I am really grateful to the Members who have all welcomed this Bill. Of course, they have made certain suggestions which

must have appeared to them very important suggestions and I am thankful to them for making them at least for giving serious consideration to the provisions of this Bill. But some of the suggestions have emanated from certain misconceptions. Some Members have referred to the Planning Commission estimate of Rs 100 crores short term, Rs 25 crores medium term and Rs 5 crores long term loans annually for agricultural purposes but at the same time they have missed the point that the Planning Commission has not advocated the Rs 130 crores annually to be given by the Government or the Reserve Bank or by the co-operative societies alone. Their suggestion is that this Rs 130 crores should be available for agricultural purposes through institutional credit, not through private money lenders. Several Members have quoted from the figures given here but taking these figures, if they make further calculations then they will not be so much disappointed. I would never claim that we have been able to do what is necessary or even what is just near necessary but to confuse that this Rs 14 crores or Rs 15 crores which the Reserve Bank has been able to give to the co-operative banks for agricultural loans as the total amount of the agricultural loan given by the Central Government and compare that Rs 15 crores against Rs 130 crores target fixed by the Planning Commission is not at all justified. From these figures it will be found that a little over 7 per cent of the total loan has come for agricultural purposes from what may be called institutional sources. The loan calculated by this committee is Rs 750 crores annually. So this little over 7 per cent would come to I think about Rs 55 crores.

SHRI B C GHOSE Rs 52½ crores

SHRI A C GUHA It is a little over 7 per cent. It is 7.3 per cent. Then there is another source from which the Government has been giving.

SHRI P S RAJAGOPAL NAIDU How does it come to Rs 55 crores?

SHRI A. C. GUHA: 7.3 per cent. of Rs. 750 crores it will be near about Rs. 55 crores. Then there is another State machinery for distributing certain amount by the Government which is called the Grow More Food Fund. Last year, the Central Government gave about Rs. 30 crores through that fund. I know that Members may say that this is not given as loan and that this is given as grant—mostly as grant. Still they have been serving the purposes of what would naturally have to be done through medium and long term loans—development of lands, reclaiming fallow lands, arranging irrigation either by tube-wells or by small canals or by tanks. This Rs. 30 crores actually should also be taken as helping the agriculturists for which they would have to go to some money-lenders or some other lending agencies for loans. As I stated, I would never claim that we have been able to do even what is the barest necessity but still to put the figure of the Government's performance in this respect only at Rs. 14 crores is not at all justifiable.

Another thing that was mentioned by some hon. Members is about the paucity of fund put here and certain hon. Members have also referred to the resolutions passed by the Co-operative Ministers of the different States where they have been reported to have said that the contribution proposed to be made out of the central resources should be raised to Rs. 20 and Rs. 10 crores respectively. The initial fund and the annual recurring grant. Here again hon. Members must have confused two different things. This refers only to warehousing and marketing organisations. That is an entirely separate matter for which the Food and Agriculture Ministry will come before Parliament with proper legislation. I have stated before, while introducing the debate on this Bill, that this Bill aims at setting up two funds. One is the long term operation fund and the other the stabilisation

fund. The long term fund is primarily or solely intended to help the State Governments in subscribing to the share capital of the State co-operative banks or the apex bank. It has nothing to do with warehousing or marketing developments. I need not go into that matter, perhaps that might create further confusion.

One hon. Member from that side made some comparison as to the loans or accommodation made by the Government for industrial concerns and for agricultural credit. Sir, for industrial concerns, there are three organisations to which Government has made certain contributions, either in the form of loans or in the form of subscribing to the share capital. The first is the Industrial Finance Corporation in which the total share capital invested by the Central Government and the Reserve Bank is only Rs. 2 crores. The second is what is called the Industrial Credit and Investment Corporation—ICIC—where the Central Government has given as loans Rs. 7.5 crores; but that money really does not belong to the Central Government, for it has come as an aid from the American Government and it is on their suggestion that that money has been put there as loan. The third is the Development Corporation which has a total authorised capital of only I think, Rs. 1 crore and Government as yet has given only five or ten lakhs of rupees as subscription. On the other hand the Reserve Bank is giving every year Rs. 14 to 15 crores for rural credit in addition to the Grow More Food Fund's contribution of about Rs. 30 crores annually. And further, we are adding to the total provision that will be made in pursuance of the Rural Credit Survey's Report several more crores, not less than Rs. 30 crores or even more than that. So I do not know how any comparison can be made and how it can be said that Government's interest in industrial credit is more than its interest in agricultural or rural credit, or how the

[Shir A. C. Guha.]  
interest in rural credit can be questioned or how it can be said that Government has a niggardly or step-motherly attitude towards agricultural credit.

SHRI P. S. RAJAGOPAL NAIDU: If so much credit has been given then why has the Rural Credit Survey estimated the help given by Government as only 3·4 per cent.?

SHRI A. C. GUHA: Pardon?

SHRI P. S. RAJAGOPAL NAIDU: If so much help has been given by the Government, then how is it that the Rural Credit Survey Report has mentioned it as only 3·4 per cent.?

SHRI A. C. GUHA: That is in proportion to the total amount. If the total amount is so much, then whatever the Government might have given, must bear a certain percentage.

DR. RADHA KUMUD MOOKERJEE: The percentage may be small, but the amount may be large.

SHRI A. C. GUHA: Then some hon. friends have referred to the fall in prices I think Prof. Ranga referred to it—he has run away—that there is no provision made here for dealing with fall in prices. But as I have stated, this Bill is intended simply to help the State Governments to subscribe to the share capital of the apex banks, the apex co-operative banks, for implementing that particular item of the committee's report, namely, the State's partnership in the co-operative organisations. The problem of falling prices will, I think, be partly taken care of by the warehousing and marketing organisation that will be set up by another Bill to be brought before the House by the Food and Agricultural Ministry.

I was rather surprised at my hon. friend Mr. Ghose asking the question as to why this work is to be done by the Reserve Bank and not by the State Bank. I was really surprised that such a question should, of all persons, have come from him. I must

point out that the Imperial Bank is the topmost commercial bank of India and it will continue to be so. The Imperial Bank is the topmost commercial bank of India and even in its new transformation the Government has not the slightest intention of injuring that character of the State Bank. That being so, I cannot understand how the State Bank can take up this long-term credit work how a commercial bank can take over this long-term investment to continue to 20 years.

SHRI B. C. GHOSE: I thought that the State Bank was going to look after the rural credit, that the commercial banking aspect of the concern would become less and less important. But now I see where my fault lies.

SHRI A. C. GUHA: I think my hon. friend was quoting from my speech in the other House. There I have made it absolutely clear that the State Bank will have to discharge two functions. One will be to help the rural credit banking and the other is that at the same time, it will continue to be the most important commercial bank and the Government has not the slightest intention of injuring that character of the State Bank.

SHRI B. C. GHOSE: Which is the more important of the two functions? Commercial?

SHRI A. C. GUHA: Surely, it will continue as a commercial bank.

Some hon. Members have suggested that the Government should share a portion of the loss to be incurred in arranging the agricultural credit. The Reserve Bank has been giving loans to co-operative at the rate of 1½ per cent. interest whereas the Bank rate now is 3½ per cent. I think hon. Members will easily realise that the Reserve Bank is now incurring some loss in lending to agricultural credit societies. Further it will be found when the other Bill is presented before the House that any dividend that would accrue to the Reserve Bank out of the 55 per cent.

shares held by it, will be pooled into a separate fund to be utilised for meeting any loss that the State Bank might incur in running the rural banking.

With the formation of the State Bank, more banking facilities will be available to the rural areas, particularly to the warehousing and marketing corporations that would be set up. They would go much to help agricultural credit also.

The only other main point that was mentioned was about the sum of Rs. 5 or 10 crores. Hon. Members wanted this sum to be increased. I would like to draw the attention of the hon. Members to the different phraseologies used in this Bill and in the previous measures. In 1953, I had the honour to pilot an amending Bill to the Reserve Bank of India Act. In section 17(4A), I think it was that section, we provided for medium term credit a sum not exceeding five crores of rupees to be set apart. In this Bill, we have a different phraseology. We have said that the provision should be not less than Rs. 5 crores in this case. Hon. Members may see the shift in the emphasis. Whenever the co-operative organisations want to draw money, there will not be any dearth of money at all from the Government or from the Reserve Bank. Nobody will object to the Reserve Bank giving more money provided the co-operative organisation is set up in proper form and starts functioning efficiently. It is no use setting apart larger funds if the amount is not to be utilised.

Another hon. Member quoted from my speech in the other House that out of a sum of Rs. 5 crores set apart for medium term credit by the last amending Bill, only Rs. 20 lakhs have been drawn so far.

MR. DEPUTY CHAIRMAN: It is only the minimum that is fixed

SHRI A. C. GUHA: I hope that the Bill will be passed.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill further to amend the Reserve Bank of India Act 1934, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

MR. DEPUTY CHAIRMAN: We shall now take up clause by clause consideration.

Clauses 2 to 6 were added to the Bill.

MR. DEPUTY CHAIRMAN: Clause 7 Mr. Naidu, are you moving your amendments?

SHRI P. S. RAJAGOPAL NAIDU: I am not moving amendment number 1.

Sir, I beg to move:

2. "That at page 3, lines 15-16, for the words 'the repayment of the principal and payment of interest', the words 'the principal and interest' be substituted."

3. "That at page 3, line 27, for the words 'the repayment of the principal and payment of interest' the words 'the principal and interest' be substituted."

4. "That at page 3, line 31, for the words 'of loans', the words 'of long term loans' be substituted."

5. "That at page 4, line 15, after the word 'famine' the words 'steep fall in prices of agricultural commodities owing to adverse economic conditions' be inserted."

6. "That at page 4, line 17, for the words 'the repayment of the principal and payment of interest', the words 'the principal and interest' be substituted."

MR. DEPUTY CHAIRMAN: Do you want to make a speech?

SHRI P. S. RAJAGOPAL NAIDU:  
Just two or three minutes, Sir.

MR. DEPUTY CHAIRMAN: Two minutes. The clause and the amendments are open for discussion.

SHRI P. S. RAJAGOPAL NAIDU:  
Sir, this is what is provided towards the end of proviso (a) to sub-section (2) of proposed section 46B in clause 7. "\*\*\* banks are unable to pay such dues in time owing to drought, famine or other natural calamities." What has been stated is that if due to drought, famine, etc., a short term loan is not repaid, then it can be converted into a medium term loan. That is only a book adjustment. That is what has been stated by the hon. Minister in the other House *viz.*, that this short term loan would be converted into a medium term loan. Of course, there are many difficulties by such book adjustment into which I need not go now but what I am concerned with is the fact that this conversion can be made only if there is famine, drought or any other natural calamity, as a result of which a loan is not repaid. I wish to add to these reasons that if there is a steep fall in prices of agricultural commodities owing to adverse economic conditions, the short term loans should be converted into medium term loans. I may state only one example. It has been stated in the extracts from the Statutory Report of the Reserve Bank of India, on page 227, that the loans outstanding against Members were about Rs. 24.5 crores in the year 1937, of which Rs. 10.75 crores were shown as overdue loans. For instance, take the state of affairs in Madras now, I was told that in Andhra nearly 3,000 societies had got overdues to their respective banks. In Madras, nearly 25 per cent. of the societies are overdue to their respective banks and that is because there is a sudden fall in the prices of food grains. Jaggery—what we call *gur* here—was being sold at nearly Rs. 17 or Rs. 18 per imperial maund last year and it is now selling at Rs. 7 per imperial maund and the cane growers are unable to repay the

loans to the societies. This is equally so in the case of foodgrains.

MR. DEPUTY CHAIRMAN: It is self-explanatory. Is further speech necessary?

SHRI P. S. RAJAGOPAL NAIDU: I did not mention about this in the first instance, Sir. That is why I am explaining now.

MR. DEPUTY CHAIRMAN: I mean your amendments are self-explanatory. No speech is necessary.

SHRI P. S. RAJAGOPAL NAIDU: I am giving a few illustrations. Jowar, maize and bajra are sold now for Rs. 5 to Rs. 6 per maund. They used to be sold for nearly two to three times that price last year. That had hit the agriculturists considerably and they are unable to pay the loan back to the society. If we add what I have sought to add, that will go a long way in helping the agriculturists. It is only with this good intention that I have moved these amendments.

MR. DEPUTY CHAIRMAN: Is the Minister prepared to accept any of the amendments?

SHRI A. C. GUHA: No, Sir. Fall in prices is just an economic factor; it is almost a chronic thing in the economic structure. It is not possible to include that.

MR. DEPUTY CHAIRMAN: Some other steps will have to be taken.

Do you want to press the amendments, Mr. Naidu?

SHRI P. S. RAJAGOPAL NAIDU: I would like to withdraw them (Nos. 2, 3, 4, 5 and 6) Sir?

The \*amendments were by leave, withdrawn.

\*For text of amendments, *vide* col. 6478 *supra*.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 7 stand part of the Bill"

The motion was adopted.

Clause 7 was added to the Bill.

Clauses 8 to 11 were added to the Bill.

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

SHRI A. C. GUHA: Sir, I beg to move:

"That the Bill be passed."

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be passed."

The motion was adopted.

#### MESSAGE FROM THE LOK SABHA

#### THE UNTOUCHABILITY (OFFENCES) BILL, 1955

SECRETARY: Sir, I have to report to the House the following message

received from the Lok Sabha, signed by the Secretary of the Lok Sabha:

"In accordance with the provisions of Rule 133 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to enclose herewith a copy of the Untouchability (Offences) Bill, 1955, as passed by Lok Sabha at its sitting held on the 28th April 1955."

I lay the Bill on the Table.

#### ALLOTMENT OF TIME FOR THE HYDERABAD EXPORT DUTIES (VALIDATION) BILL, 1955

MR. DEPUTY CHAIRMAN: I have to inform hon. Members that under Rule 162(2) of the Rules of Procedure and Conduct of Business in the Rajya Sabha, the Chairman has allotted thirty minutes for the completion of all stages involved in the consideration and return of the Hyderabad Export Duties (Validation) Bill, 1955, by the Rajya Sabha, including the consideration and passing of amendments, if any, to the Bill.

It will be the first item on Monday.

The House stands adjourned till 11 A.M. on Monday, the 2nd May 1955.

The House then adjourned at six of the clock till eleven of the clock on Monday, the 2nd May 1955.