

The existing National Highways in Kerala would not be able to withstand the heavy traffic. As per the records on the website of Kerala Police (<http://www.keralapolice.org>), there were 36,433 accidents in 2009 leading to 3,773 deaths and 41,455 injuries. This translates to about 10 deaths per day and a death rate of 11/1,00,000 population. For comparison, in the United Kingdom, a place with lot more people and vehicles, it is about 5.5/1,00,000. It is obvious that far too many people are dying on our roads. Not a day passes without the news of a number of people dying on the roads, often multiple fatalities.

The NHAI has announced schemes for constructing four or six-lane roads for the existing National Highways through Toll Road Scheme. But, for that, the delay in land acquisition stands as a bottleneck. It will take more time to complete formalities. But, the land for bypasses has already been acquired in many places like Kollam, Kazhakkuttam-Kovalam, etc. If these bypasses are constructed immediately, fifty per cent of the traffic problem on Kerala's National Highways will be solved. But, due to some undisclosed intentions, it is not yet done by the Government. The Government is requested to take urgent steps to construct and widen all major National Highway bypasses in Kerala.

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**GOVERNMENT BILLS - (Contd.)**

**The Banking Laws (Amendment) Bill, 2012**

**and**

**The Enforcement of Security Interest and Recovery of  
Debts Laws (Amendment) Bill, 2012**

MR. DEPUTY CHAIRMAN: We shall now take up the Banking Laws (Amendment) Bill, 2012 and, I think, if the House agrees, the other Bill—Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Bill, 2012—can be taken up together with this.

SHRI PRASANTA CHATTERJEE (West Bengal): Sir, we do not agree with this. Please take these up separately.

SHRI N.K. SINGH (Bihar): Sir, there is one alternative. We can, in our intervention, in one part we can deal with the Banking Laws Bill and the other part of it can be used to deal with the other Bill. Of course, the voting will have to be done separately.

MR. DEPUTY CHAIRMAN: These are two Bills but the voting has to be separate. Only for the convenience of Members it is proposed that you can either speak on both the Bills in your speech or you can make two parts of your speech. But, the voting will be separate. And, it has to be separate.

SHRI RAM VILAS PASWAN (Bihar): Now many hours have been allotted to these two Bills? I believe that seven hours are given for this.

MR. DEPUTY CHAIRMAN: I do not think there is a need for seven hours. If all of you cooperate, we can pass it before 6 o'clock. We can take three hours.

SHRI N.K. SINGH: Sir, I think, Ram Vilasji is technically right because the BAC had allotted 4+3 hours. It had allotted seven hours. You are right; if the Members cooperate, then we can finish it early.

MR. DEPUTY CHAIRMAN: Yes, the House is supreme. Even if the BAC decides, if we want, we can finish it early. Mr. Minister, you may move both the Bills now.

SHRI TAPAN KUMAR SEN (West Bengal): Sir, the only thing is that you will not be ringing your bell.

MR. DEPUTY CHAIRMAN: On condition that you will not take more time. Everybody will speak. ...*(Interruptions)*...

SHRI TAPAN KUMAR SEN: Sir, if you do not ring the bell, then, there will be no question of taking more time. ...*(Interruptions)*...

श्रीमती माया सिंह (मध्य प्रदेश): सर, हमारी पार्टी के एक स्पीकर श्री पीयूष गोयल जी हैं। वे इन दोनों ही बिलों पर बोलने वाले हैं।

श्री उपसभापति: ज्यादा टाइम देना है?

श्रीमती माया सिंह: सर, actually दो बिल हैं और....।

MR. DEPUTY CHAIRMAN: Mayaji, he is always getting more time. We know that. He always takes more time from me. Now, Shri P. Chidambaram to move both the Bills.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Sir, I beg to move:

That the Bill further to amend the Banking Regulation Act, 1949, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 and to make consequential amendments in certain other enactments, as passed by Lok Sabha, be taken into consideration.

Sir, I also beg to move:

That the Bill further to amend the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and the Recovery of Debts Due to Banks and Financial Institutions Act, 1993, as passed by Lok Sabha, be taken into consideration.

*The questions were proposed.*

MR. DEPUTY CHAIRMAN: Mr. Piyush Goyal, you can utilize your time together for both the Bills or first, you speak on the first Bill and then continue on the second Bill, so that at one go you finish both.

SHRI PIYUSH GOYAL (Maharashtra): Sir, I respect your point, and I thank you very much for giving me this opportunity to speak on these two Bills. I do accept the request made by the Chair, the hon. Minister and other Members to be brief. But I think the number of issues that have emerged out of my study of both these Bills, in my personal opinion, merit the attention of the Government. Ultimately, what they do with it is entirely up to the Government and the hon. Minister. But, I would, through you, like to mention that it is important that these issues are brought into public knowledge, into public domain. Frankly, I would very much appreciate if the hon. Minister, if not in his reply today, but at a later stage, at least, addresses many of the issues that I am going to raise. He may call me for a cup of tea and tell me where I was right or wrong. In the last two-and-a-half years, nothing of that sort has happened, and it is my constant complaint that all issues remain unanswered in this House.

Sir, my party welcomes this Bill; I personally also welcome this Bill. It is long awaited. It is a Bill which has taken eight years for this Government to bring before us. I feel sorry that this Government could hardly do any reform in the first five-year tenure that they had. I don't know what were the reasons. They obviously complain about coalition compulsions and what not have you. But the fact of life is, most of these provisions were introduced in 2005. They were

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necessary provisions. We, in fact, feel, it should have been taken up after the Standing Committee's recommendations in 2005 itself. But as they say, देर आए, दुरुस्त आए, I am glad that, at least, today, we are sitting late on the last day of this Session and clearing both these Bills. But, of course, it does raise questions about what is the seriousness of this Government in really carrying out reforms. Is reform only a political agenda, or, is reform in the interest of the nation? I think, if it was in the interest of the nation, as I believe, it is, then, the Government should have brought it in 2005. They should have taken the bull by the horns, as they say. They could have sought our support and possibly passed it much earlier.

Sir, at the outset, I am a little concerned about one aspect of this Bill, the charade that we went through three or four days ago. This Bill was discussed extensively in the Standing Committee. Recommendations were made, and, by and large, the Government and most political parties, except one Member in the Standing Committee had a vote of dissent, but, by and large, we were all in agreement on the major provisions of this Bill. I do not understand what was the need to surreptitiously bring in a clause to permit forward trading contracts and investments in derivatives or forward contracts in commodities in this Bill.

[THE VICE-CHAIRMAN (SHRI PRASANTA CHATTERJEE) in the Chair]

I cannot understand what the urgency of that provision was, that it was brought in even referring it to the Standing Committee, just because possible some other Committee mentioned that this should be considered. What is the reason to bring it into the Bill and then try to brazen your way through the Lok Sabha and possibly in future through my House to pass this Bill with that clause? It came in the Committee on Consumer Affairs Report in December, 2011. If there was, at all, any need to incorporate this, they could have, at least, discussed it with major parties. It is a fact that the Report came in December, 2011 and we have had discussions on this Bill on several occasions in-between, but this was never discussed. I would urge the hon. Minister to consider the seriousness of that particular clause. Even in the US, in Volcker Rule, which has recently been introduced on July 25, 2010, there is a specific section of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 619, which clearly states that it restricts the US

banks from making certain kind of speculative investments that do not benefit the customer. Mr. Volcker argued that such speculative activity played a key role in the financial crisis of 2007 to 2010. The hon. Finance Minister is a very learned person. We all have seen him heading important Ministries for many years. But I am interested to know under what pressure or under what circumstances he thought it fit to introduce this provision in the Bill. Possibly, he will try to argue that it is necessary in this Bill. It is only under the collective pressure of large sections of the lower House that he had to withdraw this provision. I am grateful that he decided to withdraw it. Otherwise, like in many other reform measures, we would have seen one more Bill going down the path of brazenness, we would have seen one more Bill which would never have seen the light of day, just because - I do not know what is their interest - some people thought it fit to bring that clause into this Bill. I would, in fact, urge the hon. Minister to investigate how this crept in, what were the pressures on the Government, because I checked with several bankers, both- in the PSU domain and in the private banks domain. They were all amused and they said, "We don't want it, we never asked for it." I checked with the Chambers of Commerce, I checked with people from industry. Everybody was surprised where this came from. So, I think it is something which we should investigate where this clause came from, who prompted it. If at all, as is the current coin in the political environment, there was some lobbying for this Bill, I think we should know more about it. Of the course, there is the larger issue of reforms and I have been consistently placing my party's position before the Government and before the public that the BJP and the BJP-led NDA stand for reforms. We believe that reforms have to be calibrated with a human face and we also believe that we need to have accelerated reforms in public interest. There are several measures of this Government which we have supported. They could not have brought the Pension Bill before the House, but for our support. We have supported FDI in many other sectors except multi-brand retail, where we have serious concerns and issues regarding the benefit that the common man will get and the negative aspects of that proposal. We, of course, have gone through that issue in detail in the House and it is now a part of the law. We respect that. But other than two or three contentious issues, by and large, my party has been pro-reform and we have always extended a hand of constructive support. I only urge the Government to take that hand, all fairness, in an atmosphere of mutual trust and in an atmosphere where we can argue and debate the issues and come to a

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consensus. Sir, while I am on this, I would like to briefly digress to the issue of Pension and Insurance Bills. Sir, the Pension Bill was introduced with my party's support in the Lok Sabha and after that we do not see anything happening about that Bill. That Bill was introduced with 26 per cent FDI. Now we have been given to understand that the Cabinet has decided to increase FDI to 49 per cent in pension funds. We are completely confused as to what is happening. They are now bringing in a new Bill on Banking reforms which we are deliberating. But the Pension Bill remains. Where is it? And, we don't know why that Bill was not brought before the House for consideration or reference to the Standing Committee when the Winter Session was on. And, in that respect, I would like to draw the attention of the hon. Minister, through you, Sir, to a statement by the PFRDA Chairperson, Mr. Yogesh Aggarwal. I am quoting from *The Business Standard* of 11 October, 2012. Soon after the Cabinet approved 49 per cent FDI, his comment was, "in terms of foreign fund flows into the country, one should not expect much because the capital requirement is lower than that in insurance." It is a long article. There are many points, which are worth considering. But I will highlight just one issue that he brought out. Pension fund managers only manage pension funds. They don't require large capital. The requirement of capital for a pension fund manager is only Rs. 25 crores. Even if ten of them were to come in, Sir, the total capital required is Rs. 250 crores. So, whether you allow 26 per cent or 49 per cent, the additional FDI is going to be only Rs. 50-60 crores. I think, today, Indian managers and Indian professionals are among the best in the world, with good business practices and come up with innovative products to reach the common man. We don't need foreigners to come in and own our pension funds and start dictating terms to the pension managers. I think, it is absolutely misplaced to try and delay a Bill, where there has been large consensus across different parties, unnecessarily on that one clause of 26 per cent or 49 per cent FDI.

Similarly, in insurance, the BJP-led NDA had introduced 49 per cent FDI when it introduced the reforms in the insurance sector ten years ago. The Bill was referred to the Standing Committee which was, at that point of time, chaired by the Congress. The Congress had strong reservations on 49 per cent and they insisted that it should be retained at 26 per cent. My leader, Shri Atal Bihari Vajpayee, was a person who believed in consensus-building. He believed in taking all sections of

opinion and thought together. He readily accepted 26 per cent. He said, "Let's make a beginning. We will take it forward from that." Then, this Government brought a Bill to introduce 49 per cent. I, for one, can tell you that I went into the meeting thinking..... It is very clear that we are going to support 49 per cent FDI. However, when the presentations of the Government, of the insurance companies and certain international interests — again maybe lobbyists — I don't know what, were made before our Committee, we were all amazed at the abysmal low amount of FDI that had come into insurance, so far. We were all worried that these provisions, to introduce 49 per cent FDI, are without any safeguards as to valuation, as to fresh capital flowing in. And, we were also quite concerned that the insurance companies had actually brought no great penetration in rural areas and no large investible funds in infrastructure sector, as was promised by them. Therefore, the Committee, in its unanimous wisdom, decided that the insurance FDI will remain at 26 per cent. I don't know why this Government is again making a prestige issue out of it. However, if the Government wants to consider 49 per cent, we don't close our minds. My party is always open to new thought processes. We have indicated in several fora that if the Government was to engage in a dialogue, and through that dialogue we could build up a consensus and they could address our concerns, as I said, I have concerns about valuation of insurance companies, I have concerns about whether fresh capital will actually come into the country through this increased route, or, we will only see existing amounts brought in, in the form of convertible instruments, getting converted to 49 per cent in the hands of foreigners because the insurance valuation, right now, is as per the RBI discounted cash-flow formula; and actually no fresh money will come into the country. Therefore, considering all of these issues, I think, the Government needs to engage with larger sections of society and public opinion and, then, deliberate and decide on this issue. Sir, I will just briefly highlight a couple of things that have come up in the course of our deliberations in the Standing Committee. I won't take much time. Sir, the Standing Committee had mentioned that the Government should consider non-voting shares and they should consider differential voting right shares. I will not engage this House in explaining what they are; the hon. Minister is well versed with it. My concern is that the Ministry of Finance gave us an excuse why they are not considering this, which was not acceptable. They have tried to say that it would require a change in the basic structure of the Banking Regulation Act. So what? We are, in any case, amending the Banking

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Regulation Act. The change is because the nature of a Government holding or a public sector holding has been defined in terms of shareholding and not voting rights *per se*. Sir, every law in the country relating to public listed companies or public companies, even the SEBI provisions, always take voting rights and shareholding. I don't see any great difficulty if we were to bring it in. It would have, actually, solved a lot of his difficulties in providing funds to public sector banks to recapitalise them. They could, actually, raise large capital without a burden on the exchequer.

Sir, now I come to the provisions of the Bill. We have a provision which defines 'associated enterprises'. I am referring to page 6 of the Bill. In clause 9, sub-section 29A(3), an explanation of 'associate enterprise' has been given. The Standing Committee deliberated a lot on this. It came to the conclusion that it does not require to be highlighted and explained in such great detail. We should have rather let it be 'associated enterprise' and let the RBI deliberate and decide what it will be. But now, they have brought in a definition, Sir, and a few of those clauses are very dangerous. The first is: "An associate enterprise" includes an enterprise which is a holding company or a subsidiary company of the banking company. Subsidiary is okay. As for a holding company of the banking company, I would say, if Tata Sons was to set up a bank, the holding company, that is, Tata Sons, could also come under regulations of the RBI. I don't understand what is the wisdom of that. Similarly, sub-clause (iii) of sub-section 29A(3) says, "a subsidiary company or a joint venture company of the holding company". Now, taking the same example, Tata Sons may have, maybe, hundreds of subsidiaries. Every company in the Tata Group, directly or indirectly, has some relationship with Tata Sons and they have a relationship which could come under this clause of subsidiary or joint venture, specially, because the management is controlled by that group. Therefore, now you will have RBI regulating the entire space of the TATA group or having the possibility to regulate it. Sir, the worst is point (vi) which says, "...to obtain economic benefits from the activities of the banking company." Sir, if I were to become a shareholder of that bank, I would also get economic benefits from the banking company. So, indirectly, under this sub-clause, you could, actually, bring anybody and everybody who is a shareholder also of the banking company and the RBI could call for information. So, I would have the Finance

Minister to relook at this. I think this definition could have been avoided. Or, at least, some clarification from the Ministry of Finance may be in good order.

Sir, now, I would come to another issue that comes up out of this clause. In this clause, they have written that the Reserve Bank may call for the books of these companies or any other information. They can as well as inspect them jointly with the Board or Authority regulating such associate enterprise. Again, that is something which has confused me. My maiden speech in this House, Sir, was on the ULIP controversy, where SEBI and IRDA were fighting over control of the ULIP type products that the insurance companies were issuing.

At that time, the hon. Finance Minister and the Government led us to believe that such joint control, which I was proposing between IRDA and SEBI, is actually harmful for the system. That is what the Government made us to believe, and now they are bringing in a clause which provides for such joint control. So, I don't know what is the position of this Government. Do they agree that joint control is good, and, if it is so, which they are providing here, then will they revisit that law which was passed in August, 2010 relating to the investments of insurance companies? It should be ideally monitored by SEBI but we brought it under the control of IRDA, and the excuse given was, joint control is not good. So, that is the other issue which the Government may like to address.

Sir, there is one clause in this Bill which allows for supersession of Board of Directors. I am in favour of the Reserve Bank of India having authority to supersede the Board of Directors, but I have just two or three small observations which the hon. Minister may like to consider. We are saying, 'The Reserve Bank may appoint in consultation with the Central Government the Administrator for such period as it may determine.' Now, in another clause we are saying, 'The Bank Board can only be superseded for six months which may be extended to a maximum of twelve months.' So, I think, here, ideally, we should say, 'for such period not exceeding twelve months.' Similarly, in sub-clause (v) of Clause 10, we are saying, 'The Reserve Bank may constitute in consultation with Central Government a Committee of three or more persons to assist the Administrator.' Sir, I have requested the Government, and our Committee had also discussed this, that it is not good to give unfettered, complete powers to one Administrator. In the interest of good management practice, instead of 'may', this clause should be, 'The

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Reserve Bank shall constitute in consultation with Central Government a Committee of, at least, three or more persons.' The words 'shall' and 'at least three', I think, will make it mandatory on the Government that the Administrator cannot have unfettered powers and there will be three other persons with domain expertise to assist the Administrator.

Sir, one other point that the Committee had deliberated and insisted was that no serving or retired officer of the Central or State Government should be the Administrator. So, we had said, we don't want bureaucrats; as it is, we are finding that in this Government, it has become a habit to park bureaucrats post-retirement in different positions. We have tried to say that post-retirement, these people should not be given any jobs in the form of Administrator or Adviser. They have brought in the clause which says that serving officers will not be brought in. But they have omitted to write 'retired officers'. So, I think, the Government may clarify it in some form that neither serving nor retired officers will be appointed Administrators. I think what is banks' need is domain knowledge, domain knowledge in law, banking, finance, accountancy, and not just somebody who claims to know it all, just because he has had a thirty-forty year service in the Government.

Incidentally, there is one clause that relates to another law related to this, like we have brought in the law that the Reserve Bank may appoint an Administrator and supersede the Board. Those other laws were passed one-and-a-half-year ago. They were the State Bank of India Act and the State Bank of India Subsidiaries Act. In both those Acts, the Government had proposed that the Reserve Bank may supersede the Board and take approval from the Central Government. Now, at that point, I had also raised this issue. Sir, you were not the hon. Finance Minister at that time. I said, 'Why should it require approval of the Government?' Once the RBI decides, I had said, 'it should be final.' Here, they have correctly said, 'in consultation.' I can understand 'consultation', but why 'approval'? So, I would urge the hon. Minister to please look at those two laws, the SBI Act and the SBI Subsidiaries Act, and correct those so that instead of approval, they also reflect the status here 'in consultation with the Central Government'.

Sir, there are a few issues relating to the banking sector as a whole. The hon. Finance Minister and the Reserve Bank of India Governor today, it seems,

don't see eye to eye at all. It is a matter of concern for all of us. We are concerned with the Reports emanating.

And, I have a few things that I would just like to highlight with reference to that. The hon. Finance Minister, on 29th October, unveiled a roadmap for fiscal consolidation. It was a very hyped-up Press Conference. All of us were glued to the television, waiting to hear the hon. Finance Minister. During that Press Conference, other than promises about the future, I did not see any roadmap being unveiled. We did hear that fiscal deficit would reduce by 0.6 per cent every year; it was a statistical exercise. I went through that whole statement many times, then and now, and I found that even at that point, the hon. Minister had acknowledged that '5.1 per cent fiscal deficit looks difficult this year, but 5.3 per cent is doable'.

Sir, I beg to submit that while the Budget was being presented, I had told the Finance Minister that what he was saying, 5.1 per cent, was impossible and that he had not provided for half the expenditure, but they still thought it prudent. My suspicion is that even 5.3 per cent is not doable. The way things are going, the way our economy is going, we could land up at 5.7 or 5.8 per cent, and we may have a situation where the RBI Governor, who refused to accept these promises and did not do any rate cut thereafter the next day in the Monetary Policy, will probably be proved right, unfortunately for the nation. Of course, the RBI said that the Government's fiscal deficit plan unveiled yesterday was short on detail and they would look for more details, while it stressed the need to contain inflation. So, RBI the next day told the world, and all of us, that we are not happy; we are not satisfied with the Government's commitment and statement; we need the Government to do more.

Thereafter, Sir, we had the subject of banking licences. That is why I was raising this issue, to lead up to this point. Similarly, on banking licences, the RBI has consistently held the stand that they will not issue licences till the Government amends this law. The hon. Finance Minister did make an appeal to the RBI Governor to start the process with an assurance that this Bill will be passed either in this Session or the next. But, again, unfortunately, the Reserve Bank refused to accept that and we heard them say that we will wait for you to actually pass the law and we will not do anything till then. All of these are matters of concern for us, Sir. I believe, the Reserve Bank and Government have a very important role to work in tandem and once again spur growth and the investment.

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climate. I think it needs a little bit of introspection on the part of the Government, and possibly also the Reserve Bank as to how they see the future of this country going forward. A small thing on November 15th, the hon. Finance Minister did say that the Housing and Automobile sectors were doing well, while infra; Steel and Construction sectors were under stress, Textile and Food Processing were under stress. I think, hon. Minister, Housing and Automobiles sector are also in the doldrums, as you will find from your banks, and the auto sales have drastically fallen, at least, in the current quarter.

Sir, I would like to come to a small point regarding private banks. There is now a talk that private banks will be given fresh licences, and some of the reasons given are that the economy has grown in size, we need to bring in sophistication, we need to extend geographic coverage and we need to improve access to banking services. Unfortunately, what has been the past experience? Ten licences were given under the 1993 guidelines. Some of them are still around; three of them are not around now. Two banks were given licences based on the 2001 guidelines. Now, after all of that, what is the current state of the private sector banks? They have not been able to expand the reach. The percentage business, ten years ago, which the PSUs enjoyed in the banking space, is what they enjoy even today, despite so many new banks coming into the field. So, I don't know what these banks have really been able to do in terms of achieving these objectives. However, it is important to note that these banks and the new banks that are going to now come up have largely focused on metro areas, cities and towns, and have really never bothered to reach out to the rural population, as I would explain in a few moments.

Sir, in the draft guidelines released in August, 2011 for new private sector banks, there is a mention of 'fit and proper' criteria. I joined issue with the Reserve Bank on the 'fit and proper' criteria. I would only urge the hon. Finance Minister to go through it with care because I find the criterion is very subjective. We need to introduce objectivity into this criterion. I think, aspersions cast on certain sectors of the economy are not good for this country. The guideline says that the entities, groups that have significant (10 per cent or more) income or assets or both, from activities including real estate, construction and broking activities shall not be eligible to promote banks. Sir, I think, a mother looks at all children equally

and the Government and RBI should look at all sectors with an open mind and not with a myopic vision. How can we cast aspersions on Tata Realty or Godrej Realty, companies of repute? Is the RBI trying to say that a company of the size and scale of operations of DLF is actually a company which is not good enough to hold a banking licence but good enough to borrow four billion dollars from the banking system? I think it is not in good taste to exclude certain sections. I am not holding a brief for specific companies or specific sectors. I disagree with the concept of casting aspersions on any sectors of the economy *per se*. By that logic, the largest scam in this country has been in the telecom sector or has been in the mining sector. So, shall we now exclude more and more companies? Anybody in telecom, exclude; anybody in mining, natural resources, steel or power, exclude. What is going to be the criterion? Then the guidelines go on to say, "That the business model and business culture of such companies in real estate and capital market activities is misaligned with banking." By that logic, RBI should ban these companies from borrowing from the banking system. And if their integrity is suspect, then I would like to know whether at 9 per cent exposure to that sector their integrity is okay, but at 10 per cent it becomes bad? If a person is a thief for 9 per cent of the time, he is okay and he is acceptable. Once he crosses the limit of 10 per cent, he is not acceptable. I think such conditions tend to make a person like me fear that the process of allotting private bank licences could go through a process which may not be entirely fair. I say this with authority because in the 2003 Round, the RBI had indicated that after three or four years they will issue more licences. There are eight more applications still pending before RBI. They are neither being rejected nor considered. I cannot understand how the Government or RBI proposes to restrict certain companies and give licences selectively only to some companies. I think we should follow the American model. There are enough examples internationally where bank licences are given once the 'fit and proper' criterion has been met and if a company is eligible for a licence, it should get it. You cannot pick and choose between two eligible companies and give it to one because that raises the scare of extraneous considerations before allotment of these licences. Some newspaper reports had asked whether there should be auction of banking licences. Obviously bank licences are not auctioned anywhere in the world, I think, except one country. But, more importantly, the issue is the moment you create a scarcity in a commodity and you pick and choose somebody, the other person could go to court and it

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could vitiate the entire atmosphere. I would just like to highlight what happens in such a company when you restrict the licences. The moment two or three get licences and ten don't, there is an unsatiated demand of the others. So, what can a person or promoter do who gets a licence? He can invest Rs. 50.0 crores into the banking company. Within two years, he has to go public and, as we saw in past experience, whoever got a banking licence has got a significant premium in the market. He can go to the market within two years, which he is bound to do, divest 25 per cent of the company's shares, or, bring in fresh equity at a huge premium, thereby increasing the market worth of the shares and since he has to bring it down to 40 per cent within five years, he can then sell his shares at a huge profit. So, you will have a situation where for zero investment, just because a company has got a banking licence, he will be the owner of 40 per cent of a bank. Not only can he do it with zero investment — I have done an example; I will not read it out. but he can also possibly make Rs. 300, 400 or 500 crores in the bargain. So, I think, this issue needs to be addressed and everybody should get a licence based on objective criterion.

Sir, there are concerns about priority sector lending of the private sector banks and I have data here, which I can show to the hon. Minister, which show that the private sector has only 700 rural branches as against 8,066 PSU bank branches in rural areas, which is disproportionate to their deposits and advances. Further, the new private sector banks have a deposit of only one per cent from rural India, whereas the public sector banks have about ten per cent of their deposits coming from rural India. Similarly, advances to rural areas in the private sector banks are less than half per cent of their total advances, whereas the advances of the Government banks are about eight per cent. I think the burden of rural India, the burden of priority sector is being borne by our public sector banks and the private banks are only, if I may use the colloquial term in Hindi, मलाई खा रहे हैं। They are only enjoying the fruits of liberalisation. They are only coming to metro cities and towns for setting up branches there. RBI guidelines have a clause which says that one out of four branches has to be in a rural area. It is not a problem at all. A branch in rural India will cost them Rs. 50,000. So, they can set up a branch there and that Rs. 50,000 is looked at as "loss leader" because it allows them to set up three branches in more profitable areas. So, they will

amortize their Rs. 50,000 over the three other branches and cross-subsidize their cost. So, really, I think this is not good enough a safeguard. We need to also emphasise in terms of volume of business. In terms of reach, these banks have to increase the scope of their business.

Sir, there is one thing about agricultural lending, which leads me to believe that private banks are not doing their job fairly. Delhi has direct agricultural credit of Rs. 6,400 crores. It is even more than that of Odisha and Jharkhand which are ten times the size of Delhi. Now, I wonder as to where in Delhi anybody needs agricultural lending, and that also direct agricultural lending, of Rs. 6,400 crores. There is even more interesting statistics, which is regarding indirect finance to agriculture. Delhi has the highest amount of indirect agricultural advances in the country, that is, Rs. 19,200 crores. Now, my personal suspicion is that all of these are, in some form or the other, given to large corporates whose registered office or offices are in Delhi; and are being fobbed off under the garb of agricultural advances; and many colleagues in this House have often raised this issue that the farmer is suffering for want of timely credit at good rates, whereas the money is being cornered by certain people and not reaching the real beneficiaries. I would urge the Government to look into these statistics and give more insight to the House of how a city like Delhi lands up getting Rs. 25,000 crores of agricultural advances. The Hon. Minister, of course, needs to seriously reflect as to how we are going to improve the working, strengthen the public sector banks to face the onslaught of private sector banks. I would, in fact, compliment them that despite such adverse conditions, they are still holding on their own and managing to do a good job. But, I think the Government also needs to support them. They need to incentivise management. They should, probably, consider fixed tenure based appointments so that people are not in positions for one-and-a-half years or two years. Even before they can make an impact, they have to leave. I hope the asset-liability mismatch of the PSU banks is in the notice of the hon. Minister and the Government, because serious concerns are being raised that the PSU banks, who are now the lender of the last resort for project financing with long tenure loans, have a huge asset-liability mismatch. I hope the Government will look at that issue and possibly expand institutions which can do long-term lending.

Finally, I hope they would revamp the Boards of these banks and bring in some good, high calibre professionals to steer and guide the banks into a future of

[Shri Piyush Goyal]

better prosperity. Sir, on many occasions, I have raised the issue of the fear of CBI and CVC on the commercial lending decisions of banks. I think, the hon. Minister will appreciate that any decision taken at a particular point of time is relevant at that point, and, a post-facto analysis ten years later harassing people, who may even have retired from the banks, is something, which should be dispensed with. If at all you want, have a system of an advance ruling or audit before a loan is disbursed so that this type of fear psychosis is removed and the banks actually start taking commercial decisions to their fullest.

Sir, you have often mentioned about the educational loans. I heard you in the other House that you are passionate about educational loans. In our Standing Committee, some bankers had come, and, Sir, we realized that in South-India, from where the hon. Minister hails, there is a huge scam going on in educational loans. Educational institutes which used to have a fee of Rs. 1,00,000, or, Rs. 1,20,000 a year realized that the banks give loans of six to seven-and-a-half lakhs of rupees without security, and, they all uniformly jacked up their fees to the top level of loan without security. In this process, students are landing up with a huge liability, and, when they graduate from these institutions, they don't even make enough money to repay these loans. Banks are finding that they are having large NPAs in educational loans of this nature, and, have actually restricted giving loans to education sector for engineering and management colleges.

Sir, I have one concern about the misuse of PSU banks, which I would like to highlight by giving two or three examples. Look at the farm loan waiver scheme announced by the Government in 2008. They have misused the public sector banks to give a waiver of farm loans outstanding with the farmers upto June, 2007. The Government gave a waiver and decided to write off Rs. 65,000 crores outstanding as on June, 2007. The banks were told to write off these loans, give waiver to the farmers because it suited the Government politically to get that benefit. But, at the end of it, they did not reimburse the banks at that time. Banks were reimbursed in instalments up to 2011. In July, 2011, the banks got the last instalment, but the Government never had to account for it in 2008. The banks had an outstanding entry receivable from the Government; the Government got the political benefit out of it but it never had to provide for it. In this manner, Sir, if this Government desires, today, they can distribute Rs. 2,50,000 crores to the people

of this country. They can give Rs. 10,000 to every family in this country and say, 'look, vote for us in the next elections; here is ten thousand rupees.' They may tell the banks to distribute that money, and, say, if we come back to power, we will reimburse you this amount in the next five years, and, if we don't, then, the new Government will sort out the problem.

I think, banks should only be allowed to show that accrual in their books due from the Government, once the Government provides for it in their Budget, and, they cannot get away by providing such sops and not providing for it in their Budget.

THE VICE-CHAIRMAN (SHRI PRASANTA CHATTERJEE): Your allotted time is over.

SHRI PIYUSH GOYAL: Sir, we have two Bills. I have another Bill to discuss.

THE VICE-CHAIRMAN (SHRI PRASANTA CHATTERJEE): No, no. ...*(Interruptions)*...

SHRI PIYUSH GOYAL: Sir, now I come to my last point on this Bill. I also urge upon the Government to look at mergers and consolidation in the banking industry a little more seriously because I find that India is ranking 65th...

THE MINISTER OF OVERSEAS INDIAN AFFAIRS (SHRI VAYALAR RAVI): Sir, this Bill is for a specific purpose. The hon. Member is speaking largely on the banking industry, the problem of pending petitions, deciding petitions, and, the whole thing under the sun. How much time will he take? One hour is over, Sir. ...*(Interruptions)*...

SHRI PIYUSH GOYAL: No, I am sorry. Mr. Chairman, I have highlighted the misuse of the PSU banks and this Bill relates to banking. It is very important. ...*(Interruptions)*...

THE VICE-CHAIRMAN (SHRI PRASANTA CHATTERJEE): In the reply, the Minister will speak on this. ...*(Interruptions)*... You please conclude. Your time is over.

SHRI PIYUSH GOYAL: I have a few comments on the Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Bill, 2012.

THE VICE-CHAIRMAN (SHRI PRASANTA CHATTERJEE): You please conclude it now.

SHRI PIYUSH GOYAL: I will raise them very briefly, Sir.

While this Bill came as an ordinance in 2004, there was absolutely no reason to delay it for seven years or eight years. They could have easily brought it before the House much earlier. But now when they have brought it, there is no reason not to take it to the Standing Committee. While I have no objection, it is a good Bill, we support it fully, but I think we could have given some more suggestions to them to improve on the Bill. I have got a couple of points which I want to raise before them. ...*(Interruptions)*... They have said that the Bill will allow conversion-of debt into equity. I would urge them to take care that it is into equity which is not preference shares because my concern is that. ...*(Interruptions)*... Banks are given zero per cent preference shares against these bad loans.

THE VICE-CHAIRMAN (SHRI PRASANTA CHATTERJEE): Mr. Goyal, you please conclude now. Your time is over.

SHRI PIYUSH GOYAL: And, that is the money written-off which never comes back to the bank.

Secondly, the recompense clause is not being used by the banks when they are enforcing security. They always provide a recompense clause, but defaulters are not made to pay for their default. I would urge the Government to look at that very seriously and force the borrowers who turn around to repay for that.

My last point, Sir, is that they have taken upon themselves the process of settlement, but they have not provided any fast-track mechanism. I would urge the Government to look at fast tracking settlement cases because settlement tends to drag on for years and in that process the value deteriorates, they lose value, and banks suffer for delays in taking decision, again, probably, because of the fear psychosis. Thank you very much. We support both these Bills.

THE VICE-CHAIRMAN (SHRI PRASANTA CHATTERJEE): Dr. Bhalchandra Mungekar. Your time is one hour and one minute.

DR. BHALCHANDRA MUNGEKAR (NOMINATED): No, no, I will not follow my colleague, Piyush Goyal. I shall be extremely brief.

Sir, I rise to support both these Bills — the Banking Laws (Amendment) Bill, 2012 and the Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Bill, 2012.

**4.00 P.M.**

Sir, despite the time which is available to our disposal, I would try to be extremely brief.

[THE VICE-CHAIRMAN (DR. E.M. SUDARSANA NATCHIAPPAN) in the Chair]

First of all, if we see carefully the history of economic development of different countries in the world, during the last 150 years, or even 200 years for that matter, growth process has been facilitated through the enabling provisions through several prerequisites and requirements. In fact, I would rather say that the history of the entire economic development during the last 150 years is, in other words, history of the development of money and finance and capital markets. That is why the role of money, finance and capital—of course, finance and capital, both of them are expressed in terms of money—is so crucial that nobody can conceive economic growth much less the higher rate of economic growth, without adequate supply of money at every point of time. So far as India is concerned, we, undoubtedly, require much higher rate of growth. We were earlier achieving around 4 per cent, then we crossed 4 per cent and reached 5 per cent, then around 6.5 per cent and then latest in the Eleventh Five Year Plan, it was approximately 8.9 per cent or around 8.5 per cent. Even this good performance of the economy in terms of rate of growth is not adequate to tackle the large-scale problems of appalling poverty in India. According to official statistics, even today, 25-28 per cent people are there who are below the poverty line. Unemployment is a massive problem. So is the case with the development of agriculture, the requirements of small and marginal farmers, the requirements of small artisans, small cottage industries, cooperative banks, different sections of the society, human development indices and so on. That is why it would be absolutely necessary to develop at a speedy rate our capital market, our money market and our finance market. Now the question is, as I mentioned earlier, if the transport system, all modes of transport—road, shipping and railways—constitute the veins of the body system of the economy, credit and finance constitute the blood in the veins.

It is in this background that I welcome both The Banking Laws (Amendment) Bill, 2012 and The Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Bill, 2012.

Sir, our requirements are very huge. I don't want to go into the details. My colleague Shri Piyush Goyal has extensively dealt with it. Over a period of time,

[Dr. Bhalchandra Mungekar]

different needy sections of the economy like agriculture, which is still marginally in the priority sector, and small-scale industries, did not get sufficient attention. I do not want to go into that.

Having supported both the amendment Bills, rather than going into the logistics and details, I would like to bring to the notice of the hon. Finance Minister the broad contours of the Bill. The Government and the able Finance Minister will take care of all these points.

The entire global financial crisis of September 2008 took place because of financial deregulation. The entire subprime crisis of September in due course spread throughout the world. The sovereign debt crisis of some of the European countries of the European Union brought them to the verge of collapse. Even today some of these countries are not able to overcome its effects. Only two countries did not suffer from this global financial crisis to a large extent. One is China and the other is India. In fact, this subprime crisis or global financial crisis began in early 70s when banking sector was totally deregulated and banks were permitted to undertake functions which were of non-banking nature with the purpose of earning super-normal profits. Ultimately this led to subprime crisis which later became the global financial crisis.

There are two important provisions of the Bill. Raising the voting rights of the preferential shareholders in the public sector banks from one per cent to ten per cent and in private banks from 10 per cent to 26 per cent. I must make my position clear. In a growing economy, no sector can remain immune from overall network, an integrated package of economic reforms. All these reforms are interlinked. Unfortunately, after 1991, during the last twenty years, agriculture did not get sufficient attention because industry and services sector became the prime movers of growth. If agriculture would have been taken proper care of and all the needs of the agricultural sector would have been properly addressed, then 8.5 per cent rate of growth during the Eleventh Five Year Plan, according to me, would have been more than 9 or even 9.5 per cent or so. From the point of view of contributing employment, this huge sector's contribution is 56 per cent whereas its contribution to the Gross Domestic Product is barely 14 per cent. So far as these two provisions—raising the voting rights of the preferential shareholders in the public sector banks from one per cent to ten per cent and in private banks from 10 per cent to 26 per cent—are concerned, I caution the Government that we should

not open it to the extent these two amendments provide for further and further liberalisation of the financial sector or capital market. As we know, capital of all the factors of production, according to the theory of neoclassical economics, is the most mobile and it is most volatile. We have seen what happened with the capital outflows crisis in the South-East Asian countries.

That is why, my main worry is that we should be cautious about it. Second point is, I would have been very happy if these public sector banks preference share voting rights should have been increased, say, from 10 per cent to 15 per cent to begin with and in respect of private banks, from one per cent to five per cent or so. Sir, capital is a fire. I do not want to go into the history. Capital is not just one factor of production in the conventional sense of the economic theory. It is a fire and the basic characteristic of fire is to engulf each and everything which comes across its way.

Now, I come to the last point. Sir, since the beginning, with my elementary understanding of Economics, I cannot speak like my friend. Shri Piyush Goyal, who constantly interacts with me and I happen to interact with him, spoke something about a sense of authority. But, with a sense of modesty at my command, being a primary teacher, my only point is that we cannot forget bank nationalisation. Nationalisation has become a bad word for historical reasons. Had Shrimati Indira Gandhi not nationalised banks on 19th July 1969, I still am convinced that the Green Revolution in the Indian economy would not have happened. At that time, I was working in the Reserve Bank of India. Five-six lakh people flooded the road of Flora Fountain in Mumbai, giving the slogan, "इंदिरा गांधी आई है, नयी रोशनी लाई है।" Today, agriculture, small scale industry, cottage industry and unorganised sector are the main suppliers of credit. You can speak of anything. But, if they do not get sufficient credit, it would be extremely impossible to accelerate the rate of economic growth and fulfil or achieve other growth related economic objectives. Sir, so far as the private sector banks are concerned, I remember the statement which was made by Mr. C.D. Deshmukh in 1956 when insurance industry was nationalised. I do not want to go into those words. But, I think, so far as the public and private sectors are concerned, today, not a single economy in the world would be completely private, *laissez faire* economy, of which Adam Smith talked about. The question is that the policy must address the questions of a large section of the society if the growth is to be inclusive.

[Dr. Bhalchandra Mungekar]

Sir, with this caution and some sort of apprehensions, though the private banks preference share voting is proposed to be raised from one per cent to ten per cent and in respect of public sector banks, from ten per cent to 26 per cent through the amendment, I would request the Government and the hon. Finance Minister to consider this. I am very happy that some of the powers of the Reserve Bank of India have been enlarged. Some people were apprehending a sense of tension between the Reserve Bank of India and the Government of India. I am of the firm opinion that the Reserve Bank of India cannot have total autonomy and total independence from what Government intends to do. But, simultaneously, in a growing economy, the Reserve Bank of India cannot be too independent from the Government of India. That is the balance between the Government and the Reserve Bank of India. As the hon. Finance Minister stated in Mumbai interview, both the Reserve Bank of India and the Government have to work together. Now, I understand that working together means not at the cost of autonomy of either of the institutions. The Government certainly has more obligations to perform than the Reserve Bank of India.

With this caution and apprehensions, and pointing and bringing to the fore the needs of the sections of the society, the regions of the country and sectors of the economy in terms of getting adequate, timely and reasonably affordable credit, Sir, I support both these Amendment Bills. Thank you very much.

THE VICE-CHAIRMAN (DR. E.M. SUDARSANA NATCHIAPPAN): Now, Prof. S.P. Singh Baghel; not here. Then, Shri Tapan Kumar Sen. Please try to work out the timing.

SHRI TAPAN KUMAR SEN (West Bengal): At the outset I want to place before the hon. Chair that we are discussing the two Bills. We agreed to it on the condition that reasonable time should be allowed but reasonability should be left to me. ...*(Interruptions)*...

I rise to oppose the Banking Laws (Amendment) Bill, 2012. I think there is no mincing of words. Our position is well known. I am definitely not alone in opposing the Bill in this House. I represent the voice of seven lakh bank employees. Today, employees of all affiliations, right, left and the centre have gone on strike to protest against this retrograde Bill. I also seek to represent today the voice of 50,000 workers who are staging a protest in the Parliament Street, near the Parliament

House, opposing the very policies contained in this kind of Bill. There are differences in perception and understanding. There is no doubt about it. Every day we are being made conscious about that. We have heard the hon. Prime Minister addressing the Annual General Meeting of the FICCI on 15th December, 2012. He said that whoever is opposing the reforms of these kinds are the victims of the backward ideology. We admit this certificate with all modesty. Let me tell that victims of the backward ideology could create a condition by which the public sector banks structure could be protected. During the period of the global financial meltdown, we remained comparatively insulated from extreme economic crisis in which our country's financial sector played a very important role in keeping the national economy afloat. Today the situation demands whether we will strengthen it further or we will gradually weaken it at the behest of the State. I think this is precisely the premise on which differences remain. These may continue to remain. The debate will go on.

Sir, I oppose the Bill. My previous speaker, Shri Bhalchandra Mungekar, adequately elucidated the issue. I am afraid; he is also a victim of the backward ideology. He has given certain quotations from his own experience. God forbid. Why are we opposing this Bill? We are opposing it because the authority of the nationalised character of the bank is being sought to be weakened by this process. There were reasons when banks were nationalised. Certain restriction has been put in place for the non nationalised banking sector that with different business interests they should not come into this sector. My hon. friend, Shri Goyal has criticised that restriction. But there was a historical necessity for such a restriction. We all know that bank's capital is people's savings whether it is the public sector or the private sector. They don't bring capital from elsewhere. Their basic capital is people's savings. People's saving in a developing country like ours must be channelised to national priorities, not to any individual business man's straight. I think that should be the guideline when we are allowing the private sector to enter into the banking sector. On that premise precisely, I oppose the very idea of promoting the private sector banking. So far as the coverage of the people by the private sector banks is concerned, given the present situation, what is their role in place? What is their role in reaching the rural populace?

What is their role in the priority sector lending? They are supposed to be governed by the RBI guidelines. How are they complying with the RBI guidelines? If all this is properly scrutinized, it is good. I think it clearly stands established

[Shri Tapan Kumar Sen]

that with the limited role they are playing by collecting or attracting the common people's savings in their deposit and in their banking business, definitely they are not satisfying the national priority compared to the role being played by the nationalized banks. So far as giving loan or credit by the nationalized banks is concerned, definitely, there are many points of criticism. But if we put in comparison, I think it is incomparable. Since this Bill seeks to promote more private banks in the banking sector, seeks to liberalize as to which business interest will be allowed to take up private banking and since the clarion call of the senior Ministers of this Government is that the industrial houses should open their own banking institutions, this Bill seeks to operate in this background. We oppose this very perception. This is not in national interest, particularly, in an economy where credit is a serious problem, particularly in an economy where agriculture, being the house of more than 56 per cent of the population, two-thirds of it is still out of any institutional credit and we can't expect this from a private banking institution. As my friend, Shri Piyush Goyal, has also pointed out even some of the nationalized banks which give agriculture credit, although that credit is to be properly scrutinized, you will find that in and around the cities big farm houses have attracted those agriculture credit. Many figures are available. Given that role and given that situation, there is absolutely no reason, no logic at this time, to create further private agencies which will apportion at least a part of the common people's saving, which would have otherwise gone to the developmental channel will go to the private business channel and to speculation. There is absolutely no reason. That is not in the interest of the country. I would humbly request the hon. Minister to reconsider this. It is not in the interest of the country. Secondly, linked to this is the voting right that is sought to be increased in the private banks for foreign shareholders. Sir, at present, in the existing private banks of ours, the extent of foreign holding ranges from 24.2 per cent to 68.5 per cent. There are different rates in different banks. If I am wrong statistically, the hon. Minister will correct me. It is around 24.2 per cent to 68.5 per cent, so far as the existing foreign shareholders are concerned. You propose to make their voting right, which is presently capped at 10 per cent, to 26 per cent. The original proposal was to make it proportionate. Subsequently, it was made 26 per cent.

(MR. DEPUTY CHAIRMAN in the Chair)

Definitely, it was in that direction. Now it is a very clear situation. On this premise, when no more private sector banks cannot address the interest of the

national economy, this increase in the voting rights in those private banks by the foreign shareholders can easily facilitate and lead to cartels. Sir, 74 per cent FDI is already allowed in the banking sector. It will lead to foreignisation or foreign takeover of the private banking sector. With the power they do have, definitely, they will kill the space of the nationalized banking sector, the role of which we still cannot ignore in the country's national development, in funding our developmental needs, in funding the real economy's industrial needs. This is also another danger. The increase in voting right will again do no good to the banking sector. So we consider that this is also not a welcome step.

Thirdly, so far as nationalized banks are concerned, where the voting right was capped at one per cent for private shareholders—now, it is proposed to be increased to ten per cent—I would draw the attention of the hon. Finance Minister to a recent happening when a one per cent shareholder, a foreign company, of the Coal India Limited, has threatened the Coal India with litigation stating that their entering into Fuel Supply Agreement with power plants would undermine the profitability of the company. When a one per cent owner of the shares threatened, the Government of India was busy in explaining to them and persuading them. That is the situation in view of the Investment Treaties that we have with different countries, and the obligations flowing from them to protect the interests of foreign investors. If we, further, strengthen the voting power of the foreign shareholders in public sector banks, that is destined to distort the national priorities which the public sector banks are supposed to serve. So, this is also another aspect which warrants that this provision be dropped. Please don't disturb our public sector banking network which has, successfully, worked, at the time of global financial meltdown, to insulate our national economy from that disaster, and which is, still, playing a very important role. Please don't weaken them further. It is not in the interests of the country. Sir, added to that, I would like to draw the attention of the hon. Minister and also of this House to another aspect. Why should we promote FDI at all in banking or in financial sector? I understand about promoting FDI in industrial sector or in other productive sectors. In the service sector, that too, financial sector, are they going to bring money from abroad to put into the capital of the banks? Bank's business is usually with the savings of the people. In the Indian soil, they will operate. Their main operation is to collect the savings of the people and go in for financial business. They are not going to bring a single paisa as capital from outside. They will bring the seed money to get the licence and, thereafter, they will be collecting people's savings which is fairly high at

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33 per cent. It is a very attractive destination for all businessmen. Again, people's saving, which is, basically, going into the present structure of the banking sector towards national priorities, a big portion of it, will be apportioned because you are giving a new licence to do the same job. They are not going to bring a single paisa. So, I believe that in a financial sector business, there is, absolutely, no reason for FDI because they are not going to bring real investment at all excepting the initial seed money. And, on the same ground, I believe, the same argument extends to insurance sector as well because in that sector also, they will be collecting insurance savings. And, already, there are many things on record to show the kind of black deeds. I also wrote, recently, to the hon. Finance Minister drawing his attention to some of the misdeeds of private insurance companies. That apart, they are not going to bring any money.

Similarly, in the pension sector, when FDI was coming, many people started discussing in the media, and I even heard a discussion in a T.V. channel stating that after all, Indian workers were fortunate enough that the FDI was coming to give them a better pension. In their countries, they are cutting their pensions, and they are coming to India to rescue the Indian workers by giving more pensions! We are allowing FDI in pension as well. Why are we having this FDI option? In the Statement of Objects and Reasons of the Bill, it has been stated, "To ensure Indian banking system to go as per international best practices..." Who will teach us international best practices? Is it Lehman brothers and Citibank? We have banks of the U.S.A and the Europe who are supposed to be the masters of the whole international banking system.

In their country they made their bank bankrupt by reckless speculation and got themselves bailed out from money from the exchequer. If by chance Indian banks face such a catastrophe, is our economy in a position, is it in competence to give a similar bail out package so that people serving in that bank are kept protected? Can they do it? If they are to do it, what about the other areas of economy of public exchequer? From whom should I learn? The writers of the Basel norms have proved their competence in their own country by bankrupting their own bank and by drawing from the public exchequer. Are they going to teach us? I think Indian experience has generated well and I am fully in agreement with Mr. Mungekar when he said that tremendous boost of the whole banking initiative, nationalisation of banking and subsequently nationalisation of financial sector has

given a tremendous boost to Indian national economy. I think that is our main capital. We should strengthen that. We should expand this base instead of weakening it. One thing which requires to be done so far as the private banking is concerned, definitely, in banking interest, is the present guideline of RBI should be much more stringent, made much more stringent so that any agency with different business interests must not be allowed to enter into the field of banking. They are collecting people's saving. They don't have the right to channelise that to their priority, ignoring the national priority. It will be done if agencies with other business interest are allowed to come in the field of banking. Precisely, bank nationalisation in 1969 has made an effective intervention in that process that big industrial houses owning banks, channelize people's saving to a different priority, to his business priorities, not to expand the credit network. I think this is an important thing to remember and learn and translate it into practice. So, I request the hon. Minister to consider and re-consider that aspect. With these observations, I conclude on banking. And as far as the other Bill is concerned...

MR. DEPUTY CHAIRMAN: That is very interesting.

SHRI TAPAN KUMAR SEN: I only need a few clarifications from him.

MR. DEPUTY CHAIRMAN: Tapan Kumarji, you have already taken double the time.

SHRI TAPAN KUMAR SEN: No, no; not double time. ...*(Interruptions)*... Anyway, on this, I have a very few clarifications to seek. Firstly, the necessity of the Bill has emerged from the requirement of the experience. Definitely, some steps need to be taken. But here I have a clarification to seek. Number one is, through the Asset Reconstruction Company, when you are trying to restructure the assets, are the banks losing money? I have given a loan with interest. Some claim has come. Then through asset reconstruction process, when finally settling in, are you sacrificing a part of the money we have given? Bank is sacrificing because in the Statement of Objects and Reasons of the Bill, it has been mentioned, there is some negotiation with the borrowers, and some compromises to be drawn. So, that – needs to be cleared. It needs to be cleared whether we are sacrificing something and whether that amount of sacrifice is worth sacrificing. The second thing is, this situation arises usually in the matter of big industrial houses or big businesses. At the same time, when they are small retail borrowers and particularly, borrowers in the MSME sector, they are also facing a serious problem. How are you going to

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help them? I think they need a kind of favouritism. It is not an absolute independent impartially. No. The situation demands it. The MSME are responsible for employment generation in a big way and they are offering some livelihood to people.

So, they need a special care. How are you going to treat MSME while dealing with these issues? At present, the situation is: This facility goes to big players instead of individual debtor and MSME debtor. This favour is not going to them. While dealing with the Bill, I would like to know whether you draw, either under rules or something, certain special arrangements, particularly, for the MSME debtors, because they are really in a dire state at a time when the economy is in gloomy position. The big fish, somehow, manage by putting them into difficulty. One of the major problems of the MSME sector is that they are mostly exploited by big industries. They are the suppliers to them as ancillaries. So, they are exploited the most. That is also one of the basic reasons. This adds to their indebtedness and their failure in timely repayment. Otherwise, MSME sector's track record has been very good. If you scrutinize the overall NPAs—the hon. Minister will correct me if I am wrong—generated by the business houses, the MSME sector is responsible for hardly 15 per cent. And, the major failure percentage of the MSME sector out of this 15 per cent is due to not getting the timely payment for the produce they have supplied to big industries. We had also enacted legislation for addressing this problem. But, even after passage of that law—that Bill was passed in my first year of entry into Parliament—seven years ago, I think, the situation has not improved on the ground. So, this is also one of reasons behind their indebtedness. I would like to know how the hon. Minister is going to address this.

So, on this Bill, I seek these clarifications. And, the safeguards and some special measures need to be made.

With these suggestions, I conclude and reiterate my strong opposition to these. I have already moved certain amendments to the Banking Regulation (Amendment) Bill. Thank you.

SHRI SUKHENDU SEKHAR ROY (West Bengal): Sir, while we are discussing these amendment Bills, as rightly pointed by my distinguished colleague, 7 lakh bank employees have resorted to All India Bank Strike today in protest against this

amendment Bill. They are not only concerned, but we are equally concerned like millions of our countrymen. In the name of reforms and liberalization, many things are happening which ought not to have been done in this way. The Act is proposed to be amended.

In short, I can submit a point. Mr. Mungekar was referring to the banks nationalization initiated by late Smt. Indira Gandhi on 19th July, 1969, where 14 banks were nationalized with only a deposit amount of Rs. 50 crores. In 1980, 6 more banks were nationalized with a deposit amount of Rs. 200 crores. Why the banks were nationalized? At that point of time I was in my final year of college. Indiraji, in her address to the nation, said that the main reason for nationalization was that the commercial banks facilitated concentration of economic power in the hands of a few and created monopoly in the country.

Priority sectors were neglected and banks did not pay attention to credit needs of farmers and SMEs; management lacked professional expertise; resources of banks were misused for the directors and their companies; and, bank credit was not made according to five-year development plan. These were the main reasons for the nationalization of banks. It contributed immensely to our national economy because in the early 80's, the nationalization of banks contributed to 5-6 per cent growth of our country. Because of nationalization of banks, in India today, the banks have nearly Rs. 70 lakh crores as deposits; the bulk of which is the hard earned money of the common people.

Sir, with this amendment, I do not know whether we are going to protect the interests of the common depositors or we are opening the doors of our banking sector for the foreign players and the big corporates. That is the moot question involved in this Amendment Bill. From early 90's, the rural credit deposit ratio has started declining sharply. The share of agriculture and SMEs in total bank credit has declined alarmingly. All this has happened in the name of reforms. I do not know whether this Bill will arrest that situation. I am putting a pointed question to the initiator of this Bill, hon. Finance Minister. Side by side, if we look at the mal-administration and rampant corruption prevailing in the banking sector and the management at the top level, non-performing assets rose to around Rs. 1.17 lakh crores as on 31st March, 2012 compared to Rs. 74,16,074 crores as on 31st March, 2011. This figure was arrived at after writing off and restructuring the big loan amounts.

[Shri Sukhendu Sekhar Roy]

Sir, the actual amount of NPA will be well above 2.5 lakh crores of rupees according to experts; if we take into account the written-off amounts and the restructured amounts which are being drawn every year for the benefit of—what Mr. Sen has rightly pointed out—the 'big fish', About 25 to 30 per cent of gross profit of the banking industry have been utilised every year to write off NPA and banks are increasing finance to restructure, which includes real estate, stock exchange and forward trading. Why am I saying so? Because, the American banking system has been suffering from the crisis of sub-prime lending. Our banking sector is heading towards that. This Amendment Bill will actually encourage the creation of the crisis of sub-prime lending in our country too. The Amendment Bill, according to us, Sir, is opening the doors to crony capitalism and the unscrupulous foreign players in the name of more investment in the banking sector. If we look at the amendments properly, we will find that by inserting new provisions and, by amending the old provisions, this Bill will pave way for unrealistic trade margin and resultant closure of branches whereas the need of the hour is opening up of new branches to serve the population, which does not have any access to banks. It is more so because no permission is required from the Competition Commission for merger of banks. This is highly unethical. What is the need of the Competition Commission? Wind up the Competition Commission. This will also expose people's money to unwarranted risks as bank security investment consists of savings of the people and these provisions allow the savings of the commons to be utilised by private corporates.

This will also allow the foreign investors to take over Indian private banks. This will be free-for-all-situation particularly for the foreign players. The voting rights and the shareholding pattern of private banks will increase manifold with higher voting rights and foreign direct investors which according to us will affect our banking sector manifold and the 'foreign direct intruders'—I call them foreign direct intruders, i.e. FDI—will easily take over and control our private banks which have a total deposit of Rs. 8,22,801 crores. Sir, by introducing this Bill, the present Government has taken a U-turn from the path pursued by late Shrimati Indira Gandhi. I am referring to it because of bank nationalisation. This is the age of 'de-nationalisation'; this Government has introduced 'de-nationalisation' in every sector. Now it will cause a heavy cost for our banking sector too. Some one said that we are mango people living in a banana republic. He is correct to some extent, he is right to some extent because the way this Government is adopting policies one

after another in the name of reforms may lead to a situation when we shall be compelled to feel that we are living essentially in a banana republic because all our policies are being dictated upon and we are adopting these measures at the behest of the foreign dictators, the foreign crony capitalists and we are adopting their policies which is not at all suitable for our body polity, for our society as a whole. Knowing it fully well, we are introducing all such measures in the name of reforms just to satisfy their plan of action. There we have serious objections. Our hon. Prime Minister has said that we are having outdated philosophy. In the Preamble to the Constitution of India, Indiraji also brought the word 'socialist' through 42nd Amendment. If this Government has the courage to write off, to shake off the outdated philosophy, then let the word 'socialist' be removed from the Preamble to the Constitution of India. Let us see it, let the people of this country see it. First of all declare that the Preamble is an outdated philosophy and then you go for such reforms. Everything cannot be coined like this outdated philosophy. Socialism cannot be an outdated philosophy. If socialism has suffered setbacks in certain countries, it does not really mean that this philosophy is an outdated philosophy. We do not believe that, we believe in socialism. Swami Vivekanandaji, whose 150th anniversary..

MR. DEPUTY CHAIRMAN: Mr. Raja is very happy. ...*(Interruptions)*...

SHRI SUKHENDU SEKHAR ROY: Everybody should be happy. ...*(Interruptions)*... Everyone should be happy. It was Indiraji who pursued this. Unfortunately, the present rulers have forgotten Indiraji. The party which was known for Gandhiji, Nehurji and Indiraji that party is now known as the party of 2G, CWG and CG. It is unfortunate, an irony of fate. I will conclude my speech with a quotation from Swami Vivekanandaji. We are going to observe 150th birth anniversary of Swami Vivekananda in January next year.- Once he said, "I believe in socialism not because it is the only way to reach the goal, but half a loaf is better than no bread."

Therefore, Swamiji also believed that in Socialism half-a-loaf is guaranteed, if not a full bread. But the way these Amendments are being brought, even half-a-loaf is not guaranteed. It will be very difficult for the common man to earn their two square a meal if our banking sector also suffers the advancement of the economic expansionism of the foreign players. Therefore, Sir, according to...*(Time-Bell rings)*...

MR. DEPUTY CHAIRMAN: Concluded please.

SHRI SUKHENDU SEKHAR ROY: Sir, I am just concluding.

According to us, this Amendment Bill will transform our banking sector as a playground of big corporates and international crooks in the name of liberalization and reforms.

With these observations, I am opposing this Bill to the hilt.

**प्रो. एस.पी. सिंह बघेल** (उत्तर प्रदेश): उपसभापति महोदय, आपने बहुत महत्वपूर्ण विषय पर मुझे बोलने की अनुमति दी है और मैं बैंककारी विधि (संशोधन) विधेयक, 2012 के विषय में कुछ सुझावों के साथ अपनी बात कहना चाहूंगा। सर, बैंकिंग केवल एक इन्वेस्टमेंट की जगह नहीं है, बल्कि सोशल सेक्टर के लिए बहुत महत्वपूर्ण चीज है। इस कानून की वजह से जहां हम एक ओर उम्मीद करते हैं कि बैंकिंग के क्षेत्र में सुधार आएगा, लेकिन यह piece-meal अर्मेंडमेंट लाने से कोई बहुत बड़ा लाभ होने वाला नहीं है। एक आर.टी.आई. के माध्यम से पूछा गया था तो पता चला कि करीब एक करोड़ खाते ऐसे हैं, जिनमें लगभग 2481 करोड़ रुपए जमा हैं और केवल उन खातों की बात की गई है, जो दस वर्षों तक ऑपरेट नहीं किए गए हैं। इसका मतलब है कि इस प्रकार बहुत बड़ी राशि बैंकों के पास है। बैंकिंग के क्षेत्र में बैंक आने से गांव, गरीब, देहात और किसान का लाभ तो हुआ है। एक जमाना मुंशी प्रेमचन्द की "सवा सेर गेहूं" की कहानी वाला था, जो दलित व्यक्ति के कर्जे लेने के बारे में है। जब बैंक नहीं थे तो साहूकारों और जमींदारों का चक्रवृद्धि ब्याज चला करता था। अपने यहां एक मेहमान के आने पर "सवा सेर गेहूं" मुंशी प्रेमचन्द की कहानी के दलित पात्र ने गांव के जमींदार से उधार लिया था और इसके एवज में बंधुआ मजदूर के रूप में पूरी पीढ़ी उसने काम किया। जो सवा सेर गेहूं उधार लेने की बात हुई थी, उस मजदूर ने लिया भी नहीं था, वैसे ही उसका काम चल गया था, लेकिन खातेदार ने, जमींदार ने या उस साहूकार ने अपने खाते में लिख दिया था कि तुमने यह गेहूं मांगा और हमने अलग से इसको रख दिया था। उस दलित मजदूर से कहा गया कि उस सवा सेर गेहूं के अब इतने किंवदंत हो गए हैं। उसने कहा कि सरकार, हमने तो आपसे वह गेहूं लिया ही नहीं। साहूकार ने कहा कि तुमने चाहे लिया नहीं था, लेकिन हमने तो आपके नाम से रख दिया था, इस कारण हमारा मीटर तो चालू हो गया था। इस प्रकार उसको पूरी जिन्दगी बंधुआ मजदूर रहना पड़ा। उसके बाद उसके बच्चे को भी उस जमींदार के यहां बंधुआ मजदूर के रूप में अपना जीवनयापन करना पड़ा। बैंकों के आने से पहले इस तरह से शोषण होता था। तत्पश्चात् बैंक आए। शुरु में बैंकों का व्यवहार बड़ा ठीक रहा। मैनेजर लोग गांवों में जाते थे, गांव के बड़े आदमी से निवेदन करते थे कि अपना खाता खुलवा लो। कहते थे कि हमारे यहां स्कीम आई है। किसानों से भी कहते थे कि हमसे लोन ले लो, इंजन ले लो, भैंस के लिए लोन ले लो, ट्रैक्टर के लिए ले लो या अन्य किसी भी उपकरण के लिए लोन ले

लो। उस जमाने में बैंक ग्राहकों पर निर्भर करते थे। आज ग्राहक बैंक के ऊपर बहुत बुरी तरह आश्रित है।

मंत्री महोदय, आपका वास्ता बैंकों के महा-प्रबंधकों, सी.एम.डी.ज. और चेयरमैन से पड़ता होगा, लेकिन हम लोगों का और हमारे मतदाताओं का वास्ता ब्रांच मैनेजर्स से पड़ता है। मीणा जी, उनका व्यवहार सच में ठीक नहीं रहता है। आपने जब से राजनीति शुरू की है, आप बैंक्स के डायरेक्टर भी रहे हैं, बड़े अधिकारी भी रहे हैं और आपने बड़े लोगों की वकालत भी की है, लेकिन अगर आप बैंक से लोन लेने जा रहे हैं तो एक जोड़ी जूते-चप्पल घिसने के लिए पहले खरीद लो क्योंकि कई जोड़ी जूते-चप्पल घिसने के बाद आपका लोन sanction हो जाएगा।

महोदय, जो आपके भूमि विकास बैंक हैं, क्षेत्रीय बैंक हैं, वहां तो कस्बे में व्यक्ति विशेष होता है जो लोगों को लोन दिलवाता है, पम्पिंग सेट दिलवाता है, ट्रैक्टर की फाइल complete करवाता है। कुछ लोग उससे मिलते हैं। उन्हें सिस्टम पता है कि यह बैंक मैनेजर हमें घास भी नहीं डालेगा जब तक फलां व्यक्ति के माध्यम से अपने आवेदन पत्र को पेश नहीं करेंगे क्योंकि वह तो केवल कुछ जगहों पर, जहां निशान लगा दिया जाता है, सिर्फ दस्तखत करता है। वह व्यक्ति विशेष जिसका सम्बन्ध शाखा प्रबंधकों से होता है, अगर उससे मिलेंगे तब तो लोन sanction हो जाएगा और अगर उससे सम्पर्क नहीं कर रहे हैं, तो आप लोन की बात भूल जाइए। उसमें बहुत लम्बा समय लगेगा और कह दिया जाएगा कि यह financial year खत्म हो गया।

महोदय, भारत सरकार की योजनाएं बहुत अच्छी हैं, लेकिन प्रधानमंत्री ग्रामीण रोजगार योजना या प्रधानमंत्री सड़क योजना के साथ भी यही हो रहा है। पहले तो जिला उद्योग केन्द्र वाले उस फाइल को अपनी संस्तुति देंगे, उसके बाद बैंक में काफ़ी दिक्कतें उठानी पड़ती हैं। मैंने उत्तर प्रदेश में देखा है कि आपकी कोऑपरेटिव बैंकों की शाखाएं शहरों में ज्यादा हैं जबकि कोऑपरेटिव सोसायटीज गांवों में ज्यादा हैं। कोऑपरेटिव बैंक का जो चेयरमैन चुनकर आता है, वह जिला सहकारी बैंकों से चुनकर आता है। कोऑपरेटिव्स के 20-20, 25-25 और 50-50 रुपए वाले जो सदस्य होते हैं, वहां से और न्याय पंचायत से, ग्राम पंचायत से, ब्लॉक होते हुए, सोसायटी के डायरेक्टर के माध्यम से चेयरमैन चुना जाता है, लेकिन इन बैंकों की शाखाएं आपने देहात में नहीं खोली हैं। उनकी शाखाएं ज्यादातर शहरों में हैं। इसलिए मेरा आपसे यह अनुरोध होगा कि कोऑपरेटिव्स की शाखाएं ज्यादातर गांवों में भी खोली जाएं। आपने वायदा किया था कि 2 हजार की आबादी वाली पंचायतों को आप एक बैंक देंगे। मैं जानना चाहूंगा कि यह कब तक हो जाएगा?

महोदय, आपको देहात की कानून व्यवस्था भी ठीक करनी होगी। आप वहां पर बैंक खोलेंगे तो उसके लिए infrastructure भी होना चाहिए, शाखा प्रबंधक के रहने की व्यवस्था

[प्रो. एस. पी. सिंह बघेल]

भी होनी चाहिए, वहां बिजली भी आनी चाहिए, वरना वह वहां रुकेगा नहीं। उसके बच्चों की शिक्षा की भी वहां व्यवस्था होनी चाहिए। अगर गांव में लॉ एंड ऑर्डर ठीक नहीं होगा तो लोग वहां डिपॉजिट करने जाएंगे और वे बैंक तक नहीं पहुंच पाएंगे और पैसा निकाल कर घर तक नहीं पहुंच पाएंगे। इसलिए वहां के लॉ एंड ऑर्डर पर भी हमें ध्यान देना होगा।

महोदय, मैं जब इस बात का जिक्र Industry की Standing Committee में विभिन्न बैंकों के चेयरमैन व सी.एम.डी. से करता हूं तो वे चौंक जाते हैं कि ऐसा भी होता है। मेरे अन्य राज्य सभा सांसद भी मेरी बात से सहमत होंगे। इसके अलावा आप वहां जाकर एक टेस्ट रिपोर्ट भी देखिए। आपके बैंक के बड़े अफसर, जो वहां की क्षेत्रीय भाषा बोलते हों, उनके साथ आप वहां के देहाती परिवेश में जाइए। और एक आम आदमी के रूप में आप बैंक के ऑफिसर से लोन की या बैंक संबंधित किसी काम की चर्चा करें। फिर आपको देखना चाहिए कि आम आदमी के रूप में आपके साथ शाखा प्रबन्धक का व्यवहार कैसा है? क्या वह आपको बैठने को कहता है? जिस स्कीम की आप बात करते हैं, क्या उसका फॉर्म वह आपको मंगा कर देता है? अगर आप अपने को निरक्षर कहते हैं, तो क्या उस फॉर्म को भरने के लिए वहां पर कोई व्यक्ति सहायता के लिए बैठता है? क्या वह पानी पिलाता है? क्या उस योजना के लाभ से अवगत कराता है? मेरा कहने का मतलब यह है कि देखना होगा कि उसका अपने ग्राहक के लिए सकारात्मक रुख है या नहीं। वहां आपके बैंक का बड़ा अधिकारी होना चाहिए। फिर उसको संपूर्ण वार्ता के बाद देखना चाहिए कि यदि सारी बातें सकारात्मक हैं, तो ऐसे शाखाप्रबंधकों को प्रोत्साहन मिलना चाहिए और अगर वह टाल रहा है, दुत्कार रहा है, रुपए-पैसे की बात कर रहा है, कमीशन की बात कर रहा है, बहका रहा है, तो ऐसे बैंक अधिकारी और जो शाखा प्रबन्धक हैं, उनके खिलाफ वहां पर आपको कठोर कार्रवाई करनी चाहिए।

महोदय, मैं जानना चाहूंगा, जैसा नियम है, क्या देखा जाता है कि जो आवेदन करेंगे, उसका आवेदन आपने कितने दिनों में स्वीकृत किया है? और, यदि स्वीकृत नहीं किया है, तो क्या आपने उसको अवगत कराया है कि किन कारणों से, किन कागजों की पूर्ति न होने की वजह से उसको अस्वीकृत किया गया है? आप समय रहते जवाब भी नहीं देते हैं, ताकि वह बाकी औपचारिकताओं को पूरा कर सके।

दूसरा, सर, मैं तमाम बैंकों के सीएमडी और सीनियर अधिकारियों से मिला हूं, उनमें मुझे एससी, ओबीसी और माइनोरिटी के चेयरमैन नहीं मिले हैं, महाप्रबंधक नहीं मिले हैं, जनरल मैनेजर नहीं मिले हैं। प्रमोशन में आरक्षण का जो लोग विरोध कर रहे हैं, उसका सबसे बड़ा उदाहरण मैं यह दूंगा कि क्या पूरी की पूरी इतनी बड़ी आबादी अयोग्य है? क्या यह पूरी एससी, ओबीसी और माइनोरिटीज के पूरे के पूरे, टोटल लोग अयोग्य हैं? शेड्यूल्ड कास्ट की इतनी बड़ी आबादी से क्या कोई बैंक के चेयरमैन बनने लायक नहीं है?

**श्री उपसभापति:** बघेल जी, खत्म कीजिए।

**प्रो. एस. पी. सिंह बघेल:** आप डायरेक्टर ही नहीं बनाएंगे, तो वे लोग ऊपर कैसे पहुंचेंगे? सर, मैं बिल्कुल खत्म कर रहा हूँ। ...*(व्यवधान)*... मेरे दो मिनट बाकी हैं।

MR. DEPUTY CHAIRMAN: That is not the problem. प्रॉब्लम यह है, many Members want to go. They have their flight bookings. So, everybody is compelling me. Everyone should reduce his time.

PROF. S.P. SINGH BAGHEL: Okay, Sir. I am finishing within time. ...*(Interruptions)*...

SHRI K.N. BALAGOPAL (Kerala): Why are you taking such an important Bill at the fag end of the Session? ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: No; anyhow, it has been taken up. ...*(Interruptions)*... Please.

**प्रो. एस. पी. सिंह बघेल:** सर, दूसरा मैं यह कहना चाहूंगा कि मंत्री जी इसको दिखलवा लें कि शेड्यूल्ड कास्ट का अगर आरक्षण पूरा नहीं हो रहा है, प्रमोशन में आरक्षण तो होना चाहिए, लेकिन प्रथम स्टेज पर आरक्षण पूरा नहीं हो रहा है, तो उसको भी देख लें। बैकलॉग देखें, एसटी का जरूर खासतौर से देखें और एससी, ओबीसी का भी देखें।

सर, मैं एक बात और कहना चाहूंगा कि माननीय वित्त मंत्री जी, अक्सर अखबारों में और हमारे शहरों में हमें यह देखने को मिलता है कि पॉश इलाके में और एक अच्छे मार्केट में एक अच्छी जगह एक कार्यालय खुलता है। वह या तो बीमा की योजना लाता है या पैसे को दुगुना करने की बात करता है। इलीट क्लास, पैसे वाले और ज्यादा पढ़े-लिखे लोग तो जानते हैं कि रिजर्व बैंक ऑफ इंडिया के क्या नॉर्स हैं। जब वह कार्यालय लोक-लुभावन योजना लेकर आता है और वहां के लोग यह कहेंगे कि तीन साल में पैसा दुगुना कर देंगे, तो इतने परसेंट ब्याज देंगे, तो जो लोअर मिडल क्लास के लोग हैं, वे अपने पूरे जीवन की पूंजी उस लालच में, उस लोक-लुभावन में इन्वेस्ट कर देते हैं।

**श्री उपसभापति:** बघेल जी, हो गया।

**प्रो. एस. पी. सिंह बघेल:** सर, मैं खत्म कर रहा हूँ। अचानक एक दिन अपना कार्यालय वाइंडअप करके उसके लोग, प्रबंधक, एजेण्ट टीवी, कम्प्यूटर लेकर रातों-रात भाग जाते हैं। उस गरीब की पूरे जीवन की पूंजी, जो वीकर सेक्शन के आदमी की होती है, वह चली जाती है। क्योंकि वह कम पढ़ा-लिखा है, वह नहीं जानता कि वह रजिस्टर्ड है, राष्ट्रीकृत है, आरबीआई के नॉर्स से है, सरकार ने खोला है, वित्त मंत्रालय की स्वीकृति है।

[प्रो. एस. पी. सिंह बघेल]

**5.00 P.M.**

वे बड़ा अच्छा ऑफिस खोलते हैं, बड़ा प्रचार करते हैं, दुगना करने की बात करते हैं, बड़ा इंटरैस्ट देने की बात करते हैं, लोक लुभावनी स्कीमें लाते हैं और अचानक wind up करके रात को भाग जाते हैं तथा इसमें लोगों की पूरे जीवन की कमाई चली जाती है। मैं जानना चाहूंगा कि इसकी accountability किसकी है? क्या उस जिले में इन्कम टैक्स विभाग के लोग नहीं हैं, क्या उस जिले में वित्त विभाग से संबंधित कोई अधिकारी नहीं है, क्या वहां सेंट्रल एक्साइज़ और कस्टम वाले लोग नहीं हैं? मुझे फाइनेंस के बारे में ज्यादा ज्ञान नहीं है, लेकिन जिस प्रकार से ये चिट फंड योजनाएं, दुगना करने वाली योजनाएं, लोक लुभावन कंपनियां, फाइनेंस कंपनियां और बीमा करने वाली कंपनियां आ जाती हैं, वे हजारों लोगों का पैसा लेकर रातों-रात गायब हो जाती हैं। आप इन लोगों को इनका पैसा वापस नहीं दिला पाते हैं, लोग उन पर मुकदमा तक नहीं कर पाते हैं, कुछ लोग तो इनका फर्नीचर ही लेकर घर चले जाते हैं ...**(व्यवधान)**...

**श्री उपसभापति:** हो गया, हो गया, आपने अच्छा बोला।

**प्रो. एस.पी. सिंह बघेल:** मैं आपको सहयोग दे रहा हूँ। मैं मंत्री जी से निवेदन करना चाहता हूँ कि इन बातों की ओर ध्यान देते हुए, इनका भी प्रावधान कर दें, तो अच्छा रहेगा। धन्यवाद।

MR. DEPUTY CHAIRMAN: Now, Shri N.K. Singh. Mr. Singh, you know how to condense all important points in a small speech. You are an expert in that. Please try that.

SHRI N.K. SINGH (Bihar): But, Sir, there are two Bills and you yourself conceded that you will have to speak promptly.

Sir, let me first begin by complimenting the Finance Minister in his sustained endeavour to bring forth a Bill which was in the making for a long time. My problem with the Bill is not so much about what it says, but what it fails to say, not so much for the commission as perhaps the omission, not so much for what it does, but what it fails to do.

Here are some of my concerns, Sir. First and foremost is my concern about the timing of this Bill. The Finance Minister is aware that he had constituted a Financial Sector Legislative Reforms Commission. This Commission has substantially completed its work and will submit its report in March, 2013. Hopefully, this Commission will amalgamate the plethora and multiplicity of laws and regulations

which govern the banking sector. So, my concern really is that if this Bill had to come forward today, would it not have been better to bring this as part of the more holistic regulation which, inevitably, the Finance Minister will have to bring before this House when he considers the report of the FSLRC, to be submitted in March, 2013?

I have some other concerns on this Bill. The first one is the competition carve-out. I am not quite clear whether it was useful to knock out the Competition Commission and to substitute the Reserve Bank. All over the world, the practice is to have a comprehensive regulation on competition and not leave these powers to the Central banking agency. Why have we chosen to follow a somewhat different path?

My third issue, Sir, is the draconian powers which are now being given to the Reserve Bank of India. The Reserve Bank of India have powers now to supersede the Board of Directors up to 12 months and to appoint an administrator for managing the company during that period. The Central Government has only to be consulted.

There are no other legal processes to be followed and we do not have recourse to a federal deposit insurance corporation, which is the agency, an entity, for accountability mechanisms all over the world.

My fourth point, Sir, is that whereas a forward step has been taken in regard to the Cash Reserve Ratio of cooperative banks because cooperative banks' failures have really conferred upon many of its deposit holders incalculable damage—the flexibility given to the Reserve Bank to alter the Cash Reserve Ratio in respect of cooperative banks, and to also alter some of the other parameters of supervision, is done in a manner which may not be conducive to the overall working and health of the cooperative banks.

My fifth point, Sir, is on the licensing provision of cooperative banks, that they can now conduct the banking activity, without licence from the Reserve Bank, for one year, being extended to three years. These societies have, in the past, performed badly, and to protect the interests of their Members, this window should have been narrowed, not widened.

My sixth point really to the Finance Minister is that the Bill does not address some of the issues of fair resolution mechanism because dozens of cooperative

[Shri N.K. Singh]

banks fail every year and the depositors have to wait usually for years before they can receive the payout from deposit insurance. An efficient resolution mechanism would have protected them. My seventh concern is really the issues concerning streamlining the legislative framework for public sector banks. Public sector banks have a multiplicity of legislative ambit and, I think, there is a need to have one comprehensive legislative framework governing public sector banks. My eighth point in respect of this particular specific Bill is the issue of consumer protection. A comprehensive ex-ante and ex-post system of consumer protection needs to be enshrined in a banking law of the kind which is now before us.

Sir, I move on to a different kind of a subject. I move on to the subject that this Bill, the Finance Minister knows, confers huge powers on the Reserve Bank of India. I have the highest respect for the Reserve Bank of India. They have done a remarkable job in times of regulatory uncertainties. They have invested confidence to our banking community. I would like to remind the Finance Minister of a debate not so archaic which existed on the amplitude of relationship between the Mint Street and the North Block. And the balance of advantage in the nineties was considered that we need to shift that fulcrum in favour of the Reserve Bank of India and that is what led to the enormous autonomy which has been given to the Reserve Bank of India. How has this autonomy, Sir, been used? The record in this regard, Sir, does not look to be a very laudable one. To give you just one example—the licensing of banks. The Reserve Bank has issued only 12 bank licences since the beginning of the reforms even while the number of commercial banks has declined sharply from 301 to 169. In terms of penetration, India's loan-to-GDP ratio which was just 75 per cent happens to be 200 per cent in China; in the case of Brazil, it happens to be over 300 per cent. We are nowhere, anywhere, on the scale of developing countries on the penetration of loan per the population density. Now, therefore, Sir, I submit to the Finance Minister that perhaps we have burdened the Reserve Bank of India with too many functions. I submit to him the fact that there is an inherent conflict in the discharge of these functions by the Reserve Bank. What are these conflicts? There are three important conflicts which the Reserve Bank of India faces in the discharge of its obligations. The conflict of formulating a monetary policy which could be in conflict with the debt management strategy. The inherent conflict in the monetary policy conflicts with banking regulations because if you want to cover up your mistakes by setting interest rates too low to recapitalize the banks, you may make the money available from

borrowing from Reserve Bank at a low rate which could lead to other consequences. The inherent conflict between debt management conflicts with the banking regulation. Therefore, there is a need to relive these three inherent conflicts. The Reserve Bank is troubled enough in managing what is classically called the Impossible Trinity. Why burden the Reserve Bank with these three more difficult Trinities to be able to reconcile? This is, therefore, Sir, the right moment for the Finance Ministry to consider two things. Consider an independent debt management office and learning from best international example of having a separate banking regulator, to be able to perform some of these functions which have an inherent conflict. Hopefully, therefore, the spirit behind the new regulation, which is to increase the penetration of banks to have a greater banking network, can only be realized when you begin to divest the Reserve Bank of these inherent conflicts currently embedded in the manner in which this regulation is being proposed to be implemented.

Sir, I move on very quickly now to one other Bill which is before us. There I will be brief. I have, Finance Minister, only three suggestions to make in respect of the other Bill which is under consideration. First of all, I am wondering why you did not consider the inclusion, under the Act, of the NBFC sector as recommended by the Thorat Committee Report.

In one second, Sir, I just want to bring to his kind notice that I have before me the salient features of the recommendations of Usha Thorat Committee Report. One of the very specific recommendations contained in that Report, which the Reserve Bank of India released on the 29th August, 2011, is recommendation No. 12, which specifically suggests that NBFCs may be given the benefit under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. There should be, Sir, good reasons as to why this was left out.

My second specific comment on that Act is whether the provision allowing conversion of debt to equity will result in the change of the status of the reconstructing companies from secured creditor to an equity holder implying that this will have the last charge on any of the proceeds recovered from the liquidation. The provision, however, of allowing immovable assets of banks to purchase assets could lead to a situation where the banks may pay a higher price to show a higher recovery rate thereby understating the quantum of the non-performing assets.

MR. DEPUTY CHAIRMAN: Now conclude.

SHRI N.K. SINGH: I will just need one or two minutes. I think I must commend the Finance Minister, as I began by saying that the main Bill, which is the Banking Bill, through which you seek to subserve many interests—enhancing regulation, allowing economic ownership with voting rights, enabling greater supervision powers and importantly, the preference share being counted towards Tier-II capital and Tier-I capital, enabling greater compliance to the Basel-III norms which you are likely to apply—are all steps in the right direction. But, I think, the agenda is incomplete. We require comprehensive approach to address some of the issues which I have brought to your notice.

SHRI RAVI SHANKAR PRASAD (Bihar) Sir, it is 5.15 p.m. I will request that I may not be able to ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: There are two-three speakers. If they opt out, I will be very happy.

SHRI RAVI SHANKAR PRASAD: If something could be done, we will be grateful.

MR. DEPUTY CHAIRMAN: Shri Naresh Agrawal and Shri Baishnab Parida are there. Nareshji, can you opt out?

**श्री नरेश अग्रवाल** (उत्तर प्रदेश): सर, मैं केवल दो-तीन मिनट लूंगा, ज्यादा समय नहीं लूंगा।

**श्री उपसभापति**: ठीक है, आप सब लोग तीन-तीन मिनट ले लीजिए।

**श्री नरेश अग्रवाल**: धन्यवाद उपसभापति महोदय, मैं अर्थशास्त्री तो नहीं हूँ, लेकिन राजनीतिज्ञ जरूर हूँ। मैंने अपने चालीस वर्ष के राजनीतिक जीवन में जो सत्यता देखी है, वह आपके सामने रखना चाहूंगा। हम लोगों के लिए तो कहा गया है, 'jack of all trades, master of none.' इंदिरा जी ने बैंकों का राष्ट्रीयकरण इस वजह से किया था कि निजी क्षेत्र के बैंकों ने जनता की सेवा की जगह लाभ कमाने का ज्यादा काम किया था। लेकिन पता नहीं इस नयी कांग्रेस में कौन सा फैशन हो गया है, 'गांधी' अब भी लगा हुआ है — जब हम थे, तब वह 'गांधी' इंदिरा गांधी थीं। हम संजय गांधी जी के साथ राजनीति में आए थे, 1980 में एमएलए हुए थे। आपने जो दूसरा कॉन्सेप्ट ले लिया, नया 'गांधी' वाला, यह इस देश के लिए बहुत खतरनाक है। मैं यह बात इसलिए कह रहा हूँ क्योंकि आज स्वायत्तता का जो फैशन चला है, जैसे सीएजी हो, वह स्वायत्तता की बात करती है, इलेक्शन कमीशन स्वायत्तता की बात करता है, वैसे ही बैंक भी स्वायत्तता की बात करते हैं। मैं एक दिन पढ़

रहा था, आपने रिज़र्व बैंक से कहा कि आप लाइसेंस ज्यादा जारी करिए, आपने कहा कि ब्याज की दर घटाइए, लेकिन रिज़र्व बैंक के गवर्नर का बयान आया था कि मैं यह नहीं कर सकता और एक क्लैश आया था कि वित्त मंत्री की बात भी रिज़र्व बैंक ने मानने से इन्कार कर दिया। अगर मैं गलत कह रहा हूँ तो आप इसका जवाब दे दीजिएगा। Autonomous की बात ज्यादा चली। मैं यह बात इसलिए कह रहा हूँ क्योंकि आज किसी भी बैंक के चेयरमैन को कोई एमपी फोन कर ले, बैंक का चेयरमैन रिप्लाई नहीं करेगा। वह इस बात को नहीं समझता कि एमपी के फोन की कोई कद्र है। मीणा जी यहां बैठे हैं, एक दिन मैंने उनसे इस बारे में कहा भी था। मैं यह कहना चाहता हूँ कि अगर बैंकों को अपने अंकुश में नहीं रखा, अगर निजी क्षेत्र को लगातार देते गए, निरंकुश कर दिया तो बैंक जनता का शोषण करेंगे। महोदय, आप जानते हैं कि बैंकों का अर्थव्यवस्था में बहुत अधिक रोल है। राज्य सरकारों का बैंकों पर कोई नियंत्रण नहीं है। केन्द्र सरकार की 90 परसेंट योजना राज्य सरकार लागू करती हैं, लेकिन बैंक पर तो राज्य सरकार का कोई नियंत्रण है ही नहीं। इसी मारे ज्यादातर योजनाएं फेल हो रही हैं। आप आधार कार्ड बना लीजिए। हम लोगों के जमाने में बीस सूत्री कार्यक्रम चला था, संजय जी का भी पांच सूत्री कार्यक्रम था, वे सारे कार्यक्रम इस कारण से फेल हो गए कि बैंकों ने अपना co-operation नहीं दिया। अगर हम डीएम से कहते हैं कि बैंक नहीं सुन रहा, तो डीएम कहता है कि बैंक मेरे कब्जे में नहीं है। अगर आपने कहा कि गांव में बीपीएल में रह रहे लोगों का, हरेक का अकाउंट खुलना है तो बैंक नहीं खोलते क्योंकि डीएम का, सरकार का कोई नियंत्रण नहीं है। महोदय, मैं आपसे एक बात कहना चाहता हूँ कि किसी न किसी तरह से बैंकों पर राज्य सरकारों का थोड़ा नियंत्रण कर दें, जिससे योजनाओं पर सही तरीके से अमल हो सके।

दूसरा, सी.डी. रेश्यो जो आपकी रिज़र्व बैंक की गाइड लाइन्स में है, क्रेडिट डिपोजिट रेश्यो का पैसा बैंक उस राज्य में क्यों नहीं खर्च कर रहे हैं? आज हमारे राज्य उत्तर प्रदेश में जितना पैसा जमा होता है, मुश्किल से 20-25 परसेंट बैंक राज्य के डेवलेपमेंट में खर्च कर रहे हैं, बाकी बैंक तमाम लोगों को पैसा दे रहे हैं और उसके कारण प्रदेश पिछड़ते जा रहे हैं। अगर सी.डी. रेश्यो का 60 परसेंट की जगह 50 परसेंट भी प्रदेश के डेवलेपमेंट में बैंक लगायें, तो प्रदेश का काफी डेवलेपमेंट हो सकता है। मैं आज सुबह प्रश्नकाल के समय सुन रहा था। नन्द जी बैठे हैं, सुबह प्रश्न आया था कि बिहार में प्रति व्यक्ति आय सबसे नीचे है, इसका आपने जो जवाब दिया था। ...**(समय की घंटी)**... उत्तर भारत का जो बैंकों में पैसा है उसको कम से कम उत्तर भारत में खर्च होने दीजिए।

MR. DEPUTY CHAIRMAN: We are running out of time. ...*(Interruptions)*...

**श्री नरेश अग्रवाल:** सर, लास्ट है। उत्तर प्रदेश में 23 कोऑपरेटिव बैंकों के लाइसेंस रिज़र्व बैंक ने निरस्त कर दिए हैं। उन बैंकों में गांव के बहुत से लोगों का पैसा जमा है। अब प्रश्न हो गया कि बैंक काम नहीं कर सकते, अगर बैंकों को आप लाइसेंस नहीं देंगे,

[श्री नरेश अग्रवाल]

तो बैंक लोगों का पैसा नहीं लौटा पा रहे हैं। एक अजीब स्थिति पैदा हो गई है। मैं कहूंगा कि आप इसको प्राथमिकता के आधार पर दिखवा लीजिए और उत्तर प्रदेश के साथ बात करके उन बैंकों को लाइसेंस देने की कृपा करें। बहुत-बहुत धन्यवाद।

MR. DEPUTY CHAIRMAN: Thank you. Now, Mr. Baishnab Parida, please take only three minutes.

SHRI BAISHNAB PARIDA (Odisha): Sir, many thanks for reducing the time. At the outset, I must thank the hon. Finance Minister for paving the way for the foreign capital to enter and influence our national economy. As everybody knows, the finance capital is the greatest weapon in the hands of the monopolists and capitalists to not only influence the economy of a country but also the politics of that country.

Fortunately or unfortunately, we have pushed ourselves into the trap of that multinational capital or finance capital. Sir, through this Bill, we are increasing the shareholders' voting rights from 10 per cent to 26 per cent in private sector banks, making investment attractive for foreign players.

Another clause of this legislation clears way for more corporate houses to run banks by enabling the Reserve Bank of India to issue new bank licences. Sir, raising of the voting cap will have a positive impact in attracting funds as it will help the foreign investors to have more say in our banks.

The Bill will give RBI greater regulatory oversight over local banks and the ability to overrule boards when the banks are facing financial difficulties.

Sir, by this way, through the Reserve Bank, we will have the foreign banks and the corporate houses entering into banking sector. Sir, as my learned friend, Dr. Mungekar, said, the banking policy and the banking system was adopted by this country under the leadership of Shrimati Indira Gandhi. It gave a new opportunity to the economy of this country, and the result of nationalization of banks is still being reaped by the ruling class. But now by this Bill, we are de-nationalizing those nationalized banks.

We are, in a way, inviting the foreign banks. In other words, we are allowing the corporate houses— of this country to establish new private banks. (*Time-bell rings*)... That way we are giving opportunity to the private players to ...(*Interruptions*)...

MR. DEPUTY CHAIRMAN: Paridaji, you had only three minutes. Please conclude now. ...*(Interruptions)*...

SHRI BAISHNAB PARIDA: Just two minutes, Sir.

MR. DEPUTY CHAIRMAN: No, no. No more time please. ...*(Interruptions)*... We have to finish it by 5.30 p.m.

SHRI BAISHNAB PARIDA: Sir, the policy of the State-owning banks ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: Okay, that is enough. ...*(Interruptions)*...

SHRI BAISHNAB PARIDA: That way India again is going back into ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: That's enough. ...*(Interruptions)*... I told you to finish within three minutes. Your time is over. ...*(Interruptions)*...

SHRI BAISHNAB PARIDA: Sir, I want to raise just one more thing. ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: No, please. ...*(Interruptions)*... The rest you can write to the Minister. ...*(Interruptions)*...

SHRI BAISHNAB PARIDA: I am not going into this aspect. ...*(Interruptions)*... I am going to talk about another aspect. ...*(Interruptions)*... Sir, the Chief Minister of Odisha ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: I am helpless. ...*(Interruptions)*... We have to conclude it now. ...*(Interruptions)*...

SHRI BAISHNAB PARIDA: Sir, the Chief Minister of Odisha complained many times that the banks ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: It is the last day of the session. ...*(Interruptions)*... Everybody wants to go. ...*(Interruptions)*... Paridaji, please. ...*(Interruptions)*... Now, Paridaji, that's over. ...*(Interruptions)*...

SHRI BAISHNAB PARIDA: They are disbursing only 30 per cent of the ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: Okay, that's all. ...*(Interruptions)*... Shri Rajeev Chandrasekhar, not present. ...*(Interruptions)*... Shri Ram Vilas Paswan, not here. ...*(Interruptions)*... Shri D. Raja. ...*(Interruptions)*... Yes, Paridaji, its okay. Shri D. Raja is the last speaker. ...*(Interruptions)*... What can I do? I am equally helpless, as you are. It is the last day. Everybody wants to go. We both are helpless.

SHRI BAISHNAB PARIDA: I am thanking you, Sir, for not giving me time. ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: Mr. Raja, please take less than five minutes. If you take three minutes, I will be very happy.

SHRI D. RAJA (Tamil Nadu): Thank you, Sir. I rise to oppose the Banking Laws (Amendment) Bill. The reasons are following. This legislation is a part of the Government's agenda of economic reforms to open up the country and economy for vested interests. This legislation is not warranted at all in the interest of our banking sector.

Sir, section 2A of the Bill talks about merger of banks. It is an attempt to exempt merger of banks from the purview of the Competition Commission of India. This is wrong, Sir. The mergers are not necessary for our country. We need bank expansion, not consolidation. This clause must be withdrawn. I do not know, at this stage, whether the Finance Minister will be able to withdraw this clause, but, I think, that clause will have to be withdrawn. We need strong banks, not big banks. We have the experience of the United States of America where the big banks have miserably failed. Let us not expose our banks to the risk.

Then, Sir, clause 12 (2) increases voting rights of private, domestic and foreign shareholders of our private banks from present 10 per cent to 26 per cent. Sir, this is a very wrong move. Our immediate neighbour, Sri Lanka—I have lot of problems with Sri Lankan administration, but I would love to underline this fact—has reduced it from 10 per cent to 5 per cent to reduce the control of private capital in banks—if, I am wrong, the Finance Minister can correct me—whereas, shamefully, our Government is increasing it to 26 per cent, which is very wrong.

Then, Sir, in 25 Indian private banks, the total capital is Rs. 4,900 crores, but the total deposits of Indian people are Rs. 11 lakh crores. By increasing the voting, we are allowing more influence of private capital in these banks dealing with huge public savings. This is not good, Sir. The Finance Minister should realise this. This will encourage more foreign capital in our banks. They will come here for profits only. So, our banks will lose their objective of serving the people

and become profit-making machines. Here, everybody referred to late Prime Minister, Madam Indira Gandhi. When she nationalised banks, there was purpose, there was a national objective. Now, this Government is deviating completely from that national objective on which Madam Indira Gandhi took very positive, historic steps which left applauded.

Sir, I am again coming to clause 3 of the Bill. It proposes to increase the voting rights in nationalised banks from one per cent to ten per cent. Why this steep increase of ten times? Why does the Government want to please private capitalists? The Government banks today deal with more than 50 lakh crore rupees which is people's money. The Government should be the custodian of public savings. Giving more voting rights to private shareholders will bring pressure on banks to dilute their social objective and concentrate on profit banking.

MR. DEPUTY CHAIRMAN: Please conclude.

SHRI D. RAJA: Sir, I will take only one minute. After this amendment, other follow-up actions are going to take place. We know the experience of our own country. We have had private sector banks prior to 1969. Tatas had the Central Bank; Birlas had the Uco Bank; Pai had the Syndicate Bank; and Chettiars had the Indian Bank.

There was a lot of mess. That is why Madam Indira Gandhi went for nationalisation of banks. Again, this Congress-led UPA-II Government wants to give licence to them. Global experience is there. Industry and banking should not be in one hand.

MR. DEPUTY CHAIRMAN: Please conclude.

SHRI D. RAJA: Sir, I am concluding. Today, lakhs of bank employees went on strike at the call given by the All India Bank Employees Association. Why should bank employees go on strike? They are not doing this in their personal interest. They are doing this in the interest of country. They are doing this in the national interest.

MR. DEPUTY CHAIRMAN: Please conclude.

SHRI D. RAJA: Sir, I have been thinking this Government is drifting from the Directive Principles of the State Policy of the Constitution. Now I understand why parties like the TMC are accusing the Government. The Government is deviating completely from the Preamble to the Constitution by giving up the socialist concept.

[Shri D. Raja]

I make an appeal to my hon. colleagues from the BJP because it is extending support to such retrograde and anti-people policies. I hardly find any difference between the Congress Party and the BJP as far as economic policies are concerned. This makes our task ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: Rajaji, please conclude.

SHRI D. RAJA: The Left will continue to fight these policies. The Left will continue to oppose these policies in order to provide an alternative to save India's interest, to save India's banking sector. Thank you, Sir.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Mr. Deputy Chairman, Sir, at the outset, let me say that I regret that opportunity was not available for many more Members and not enough time was available to Members. Given the constraints of our parliamentary system and the fact that the first part of the session was not a very happy part, I am afraid everybody has to bear the pain of our own actions. Therefore, we are trying to pass this Bill today before the House adjourns sine die. But I am grateful to the hon. Members. I think a number of them have taken enormous trouble to read the two Bills and to come up with many constructive suggestions and, in some cases, even to point out the direction in which we should go. I am fully aware of these concerns. This House is aware that we have appointed the Justice Srikrishna Committee to look at all financial sector laws and to bring these laws in tune with modern times as required by a modern, open developing economy, and in line with similar regulations and laws elsewhere in the world. The draft of that report has come. At least one draft has come. Various stakeholders have been asked to comment on the draft. Once we have a comprehensive report, we will certainly look at these laws in a more comprehensive manner.

For the time being, what we are trying to do is, literally, to fill the gaps as we see it. In the working of these laws, there have been difficulties. The RBI wants certain powers and, therefore, we are trying to fill the gaps and we have done our best. This is not something which I dreamt up in the last couple of weeks. This has been in the works for several years. We have done our best. It has gone to the Standing Committee; it has come back. And, if there are still any deficiencies, I am willing to look into them. That is the preamble.

Now, Mr. Goyal raised a number of issues. I am afraid, some of them are not correct because they proceed on, perhaps, an erroneous reading of the provisions. Firstly, let me deal with the general issues. There is no carve-out from the

Competitive Commission. That is one. That provision was introduced as an amendment in the official amendments, but I withdrew that amendment. The Competition Commission will continue to regulate anti-competitive practices; the RBI will continue to regulate the banking side of these banks. There is no carve-out from the Competition Commission. Secondly, we are not introducing a new class of shares because today banks have got equity and preference shares. If we want to introduce a new class of shares, they must be consistent with what the company law will eventually turn out to be. Since the company law is also being amended comprehensively, we thought that this is not the best time to introduce a new class of shares in banking. Let the Company Bill be passed and then, we will adapt it to the banking laws.

Now, on supersession, yes, I know that the Standing Committee did recommend that neither serving nor retired officers should be appointed. But, I discussed this with the two Leaders of Opposition. Now, when we supersede a bank, if the Government cannot appoint a serving officer or a retired officer, who does the Government appoint? Then, Government has to appoint people who never had any connection with the Government. That would be very difficult in these days. Because of the fiduciary responsibility of administrators and directors, it is not as though we have a large pool of non-Government people who would be willing to come and be administrator in a sinking or collapsing bank. I have to necessarily fall upon either a serving officer or a retired officer and I accepted that serving officer need not be appointed, but, I must have a retired officer whom I can appoint overnight because I have to take over a bank. If I am taking over a bank or superseding a board, we will probably do it on a Friday evening so that on Monday, the bank opens with a new management, as we did in the case of Global Trust Bank. I do not know why there is an impression that we are anxious to give licences to big business houses. Nobody has made such a statement. All that we are providing is that more licences should be given. That's all. Who will get the licence, I don't know. Maybe, LIC Finance will get a licence. Maybe, LIC Finance could get a licence. Maybe, one of our public financial institutions could mature and grow into a bank. All that we are providing is that the guidelines for granting licences will be framed by the Reserve Bank of India which will provide who shall be a fit and proper person. And a fit and proper person alone will get a licence. I think, it is universally acknowledged that we need more banks. Every day, we hear a cry that we need more banks. Yes, we are opening more branches, but look at the pace at which we are opening new branches. At best, we have opened 6,489 branches in the year 2011-12. That is an average of about 18-19

[Shri P. Chidambaram]

branches a day. We cannot open more branches. Simply, we do not have the capacity to open more branches. We need more banks; we need small banks; we need regional banks; we need banks with a national footprint. And, let me repeat, we need two or three world-sized banks. China has got three banks among the top 20. We have none. If there is a loan portfolio of Rs.6,000 crore, there is not a bank in India which can take the entire portfolio on its books today. It has to put together a consortium. So, we need more banks and all that we are providing here is, a provision for licensing more banks. RBI will frame the guidelines. RBI is the licensing authority. Government has no role to play in granting licences. Let there be no misunderstanding that we have no bias in favour or against any one getting a banking licence provided he or it is a fit and proper person.

Sir, there was some question about MSME sector. Firstly, MSME advances are covered under the priority sector.

We monitor it closely. I have already held two meetings in the last four months with Chairmen. We ensure that MSME is not starved of funds. Secondly, the credit guarantee trust for MSME provides for guarantee of collateral free loan up to Rs. One crore. The RBI has further mandated no collateral to be taken for loans to MSMEs up to Rs.10 lakhs. The RBI has issued special guidelines for hand holding and OTS of MSMEs. We encourage one time settlement for MSMEs. The RBI has laid down guidelines nurture potentially viable sick units. These guidelines were issued or amended in November, 2012. So, we pay great attention to the health of the MSME sector. I am aware it is the largest employer, the largest exporter; and I am aware of the importance of the MSME sector; and we will continue to nurture the MSME sector.

Sir, couple of Members mentioned about corruption. We are treading on egg shells here. If the officers and staff of banks are corrupt, I can only ask Mr. Tapan Sen to take note of that. I think we are treading on egg shells. I don't think everyone is corrupt, not all are corrupt. In fact, if all are corrupt, the banking sector could not have grown by such leaps and bounds over the last 40 years. In fact, when the banks collapsed in the United States and abroad, I want to pay tribute to our management, staff, clerks and sub-staff of the banks, not one Indian bank, big or small collapsed. A thousand banks collapsed in the United States, not one collapsed in India. I pay tribute to our Regulator. I pay tribute to the management and staff of the banks. If there are black sheep, if there are any, we must take action. I am sure, even as the management takes action, my friend, Mr. Tapan Sen,

will also impress upon the unions that they should not entertain such black sheep. ...*(Interruptions)*...

Sir, Mr. Singh, raised a fundamental question why is the RBI being given so many powers. Now, he has the liberty to raise the question. It will cause a stir, it will not cause a storm. But if I reply to the question, it will cause a storm. Therefore, I shall not reply to the question. If RBI was not the Regulator, we would still have to put in place a Regulator with the same powers. The UK tried with an FSA. They found it not working. They have withdrawn from the FSA; and they have restored powers to the Bank of England. In the United States, there is a Regulator but the US Fed has equal and even greater regulatory powers. They work in tandem. I agree that there are some problems about giving more and more powers to the Reserve Bank of India. But, in the circumstances, I think, the RBI is the best place to regulate the banking sector. I do not think at this stage of our development we should experiment with any other banking regulator. But I wish to draw the attention to Section 7 of the RBI Act. "The Central Government may, from time to time, give such directions to the Bank as it may, after consultation with the Governor of the Bank, consider necessary in the public interest." The strength of this Section is it has never been used. That is how it should be. We must have the power, but we must talk to the Regulator, we must encourage the Regulator to regulate, but we should not invoke this power. We must trust the RBI to regulate our banks well.

There was some reference about unhappiness in the industry; and they are going on strike. I do not know why they should go on a strike. Frankly, there is no longer public support for such strikes. ...*(Interruptions)*... I know that there can be a difference of opinion on that. But let me given my opinion, there is no longer great public support for these strikes. Today, I have got the position as of 4.00 p.m. for all banks taken together, all the officers are working; and all of them have risen through the ranks ...*(Interruptions)*...

Forty-six per cent of all the employees are on strike and the worst affected, unfortunately, is the eastern part of India and the north-eastern part of India. My regret is, the more economically deprived areas of India are the ones that are affected. I think that any matter can be talked over. If the bank unions want to talk to the IBA or the RBI or the Government, we are open to talk to them. But, personally, I think in an industry like banking, resort to strike is not desirable. It is too vital for our economy. Resort to strike is not desirable. I can only appeal that they should not resort to strike. The only silver lining is, these strikes are becoming less and less frequent. I compliment the unions that they are resorting to

[Shri P. Chidambaram]

less and less frequently to strikes. But please don't advise them to the contrary. My appeal to them is they should not go on strike.

SHRI TAPAN KUMAR SEN: They go on strike when it is urgently required.

SHRI P. CHIDAMBARAM: A point was raised why the NBFCs are not included. That is not correct. The SARFAESI Act allows NBFCs to be notified under Section 2 read with Section 45. We have, in fact, notified, some housing finance corporations, which are NBFCs, under that. We have the power to notify more NBFCs. As and when necessary we will notify more NBFCs under the SARFAESI Act. I think I have dealt with most of the major points. I know I have not dealt with some. But I have made notes. If there are any major points, I have not dealt with, I will write to the Members concerned. I request the hon. Members to pass the Bill. ...*(Interruptions)*...

MR. DEPUTY CHAIRMAN: I shall now put the motion regarding the consideration of the Banking Laws (Amendment) Bill, 2012 to vote.

The question is:

That the Bill further to amend the Banking Regulation Act, 1949, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 and to make consequential amendments in certain other enactments, as passed by Lok Sabha, be taken into consideration.

The motion was adopted.

MR. DEPUTY CHAIRMAN: I shall now take up Clause-by-Clause consideration of the Bill. In Clause 2 there is one amendment by Shri Tapan Kumar Sen and Shri P. Rajeeve. Are you moving, Mr. Sen?

SHRI TAPAN KUMAR SEN: I am not moving, Sir.

Clause 2 was added to the Bill.

Clause 3 — Amendment of section 12.

MR. DEPUTY CHAIRMAN: Now I take up Clause 3. There are two amendments by Shri Tapan Kumar Sen and Shri P. Rajeeve. Mr. Sen, are you moving your amendment? Are you pressing?

SHRI TAPAN KUMAR SEN: Yes, Sir, I am pressing and so far as Clause 3 is concerned, I move:

(iv) That at page 2, for lines, 26 and 27, the following be substituted, namely:—

"Provided that the Reserve Bank may increase, in a phased manner, such ceiling on voting rights from ten per cent to ten point one per cent".

The question was put and the motion was negatived.

Clause 3 was added to the Bill.

Clauses 4 to 13 were added to the Bill.

MR. DEPUTY CHAIRMAN: Now I take up Clause 14. There is one amendment by Shri K.N. Balagopal. Are you moving the amendment?

SHRI K.N. BALAGOPAL: Sir, now all the cooperative banks are coming under this. In Kerala, there are more than 1,000 banks. In India, there may be 30,000 banks.

All the banks are coming under this provision and it will affect our co-operative credit system. We want some assurance from the hon. Minister. Otherwise, the entire co-operative system will collapse.

SHRI P. CHIDAMBARAM: It is only when a co-operative society wants to do banking that it requires a licence. It cannot do banking without a licence. That is the point we are making. But when the RBI frames the guidelines, I will, certainly, convey his concerns that there may be some safeguards

SHRI RAVI SHANKAR PRASAD: That is our concern also.

MR. DEPUTY CHAIRMAN: Your concern will be conveyed to the RBI. The Minister has given an assurance that your concern will be conveyed to the RBI.

Clause 14 was added to the Bill.

MR. DEPUTY CHAIRMAN: I shall, now, take up Clause 15 of the Bill. There are two Amendments (Nos. 3 and 4) by Shri Tapan Kumar Sen and Shri P. Rajeeve. Mr. Tapan Kumar Sen, are you moving the Amendments?

SHRI TAPAN KUMAR SEN: I am moving Amendment No.4.

Clause 15 — Amendment of section 3

SHRI TAPAN KUMAR SEN: Sir, I move:

3. That at page 12, lines 11 to 19, be deleted.

The question was put and the motion was negatived.

Clause 15 was added to the Bill.

MR. DEPUTY CHAIRMAN: I shall, now, take up Clause 16 of the Bill. There are two Amendments (Nos.5 and 6) by Shri Tapan Kumar Sen. Mr. Sen, are you moving the Amendments?

SHRI TAPAN KUMAR SEN: Sir, I am moving Amendment No.6.

Clause 16 — Amendment of section 3

SHRI TAPAN KUMAR SEN: Sir, I move:

6. "That at page 13, lines 1 to 8 be deleted.

The question was put and the motion was negatived.

Clause 16 was added to the Bill.

Clause 17 and the Schedule were added to the Bill.

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

...(Interruptions)...

SHRI TAPAN KUMAR SEN: Sir, in protest, we are walking out.

(At this stage, some hon. Members left the Chamber.)

SHRI P. CHIDAMBARAM: Sir, I move:

That the Bill be passed.

The question was put and the motion was adopted.

MR. DEPUTY CHAIRMAN: I shall, now, take up the Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Bill, 2012.

The question is:

"That the Bill further to amend the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and the Recovery of Debts Due to Banks and Financial Institutions Act, 1993, as passed by Lok Sabha, be taken into consideration."

The motion was adopted.

MR. DEPUTY CHAIRMAN: I shall, now, take up Clause-by-Clause consideration of the Bill.

Clauses 2 and 3 were added to the Bill.

MR. DEPUTY CHAIRMAN: I shall, now, take up Clause 4. There is one Amendment by Shri Prakash Javadekar. Not present.

Clause 4 was added to the Bill.

Clauses 5 to 8 were added to the Bill.

MR. DEPUTY CHAIRMAN: I shall, now, take up Clause 9 of the Bill. There is one Amendment by Shri Prakash Javadekar. Not present.

Clause 9 was added to the Bill.

Clauses 10 to 17 were added to the Bill.

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

SHRI P. CHIDAMBARAM: Sir, I move:

That the Bill be passed.

The question was put and the motion was adopted.

MR. DEPUTY CHAIRMAN: I thank all the Members who have cooperated in reducing the time and ensuring that both the Bills are passed.

There is one item of Papers to be laid on the Table. Mr. Kishore Chandra Deo.

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**PAPERS LAID ON THE TABLE (contd.)**

**Report and Accounts (2011-12) of the TRIFED, New Delhi and related papers**

THE MINISTER OF TRIBAL AFFAIRS AND THE MINISTER OF PANCHAYATI RAJ (SHRI V. KISHORE CHANDRA DEO): Sir, I lay on the Table, a copy (in English and Hindi) of the following papers:—

- (a) Twenty-fourth Annual Report and Accounts of the Tribal Cooperative Marketing Development Federation of India Limited (TRIFED), New Delhi, for the year 2011-12, together with the Auditor's Report on the Accounts.
- (b) Review by Government on the working of the above Federation. [Placed in Library. *See* No. L.T. 8262/15/12]

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(MR. CHAIRMAN in the Chair)