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and
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GIRISH MISHRA

THE promulgation of the Banking Companies (Acquisition and Transfer of undertakings) Ordinance, 1969 on July 19, is a bold and historic step by the Government of India to check the worsening of the economic situation and revive the growth of the economy. This step, taken at the initiative of the Prime Minister, has been hailed by all right-thinking people and the parties throughout the country. Among the all India parties only two — the Swatantra Party and the Jana Sangh have opposed it. Shri Minoo Masani of the Swatantra Party and Sri Balraj Madhok of the Jana Sangh have gone to the Supreme Court and urged it to declare the ordinance *ultra vires* to the Constitution.

The opposition on the part of the Swatantra Party is neither unexpected nor beyond understanding. From its very birth, it has been championing the cuase of the capitalist system and the laisser-faire economy. It has consistently opposed any idea of socialisation of means of production and the nationalisation of banks and other monetary and credit institutions.

But the opposition from the Jana Sangh and its leaders is not understandable, because for all these years they have been shouting from house tops that they are the real champion of the people's cause, and now when the major private commercial banks have been nationalised in the interests of the people, they are opposing it.

The nationalisation of the major private commercial banks fulfils a long-standing demand of the people and implements an old promise of the Congress. From Karachi congress onwards, the Congress had been time and again promising the take-over of the banks. To quote from the Report of the Economic Programme Committee of the IACC headed by Pandit Nehru :— "All resources available for investment should be subject to the control and direction of the state. The state should set up

Finance Corporation for financing industries. *Banking and Insurance should be nationalised*". (Page 21).

Pandit Nehru again promised to the nation in 1948, while laying down the principles for the nationalisation of private sector :

"....New undertakings which are in the nature of monopolies or in view of their scale of operations serve the country as a whole or cover more than one province should be run on the basis-of public ownership....'

But the Government stopped the programme of nationalisation after taking over the Life Insurance Companies and the Imperial Bank of India. In spite of demands inside the Congress and the Parliament, the government did not do anything except repeating the old promises. The honest and progressive Congressmen and others went on pressing their demand for the take-over of the banks with vigour and fighting the reactionary forces opposing it with unceasing efforts. Shrimati Subhadra Joshi alongwith some of her friends convened a seminar of the eminent economists in 1963. The seminar supported the demand for the take-over of the banks. The same year in September, Shrimati Joshi introduced a non-official Bill in the Lok Sabha. Later, a similar bill was moved in the Rajya Sabha. The issue was debated in the Congress Parliamentary Party. While urging the movers to withdraw the bills, the Government promised to take over the banks at an "opportune moment". But the 'opportune moment' did not come. The vested interests skilfully manoeuvered to block any such measure. They tried to create an impression that private commercial banks were efficiently managed while the public sector undertakings were all wasteful and inefficient.

The failure of the govarnment to implement its promises and the concessions to the monopolists and the foreign capitalists made the reactionary forces bold and they started distorting the priorities and diverting the country from pursuing its declared goals. As a result, there developed a number of serious maladies in the economy. The economy became heavily dependent on foreign aid. The Planning commission was made ineffective and the planned development of the economy practically came to a halt. The prices went up and unemployment assumed bigger and menacing proportions. The economy had to face

'inflationary recession'. On the one hand, there were large unutilised industrial capacities and the supply of raw materials and other components was deficient, while on the other hand, the price-level went on rising.

In the above circumstances the progressive and honest members of the ruling party pressed the Government to take some measures to make the economy come out of the rut. The Bank Nationalisation was one of the priority items. The Government hesitated and experimented with the idea of social control of banks, which proved to be a failure because it was nothing more than a name.

As a result of the failure of the experiment of social control, there was no option but to nationalise the banks. The Government has taken over the control of 14 major banks.

As the ordinance came at a time when some political controversy regarding the selection of the Presidential candidate was going inside the Congress, the Jana Sangh leaders have given a colour to the nationalization measure that it is a "purely politically motivated act". They refused to look further and analyse the reasons for the slow growth of the economy. Sri Kanwar Lal Gupta, a Jana Sangh M.P., told the Lok Sabha that had it been economically motivated, he would have supported. Nobody can convince a Jana Sanghi who refuses to study the economic problems and understand the economic necessity of bank nationalisation. Any way, Sri Gupta should know that economics and politics cannot be separated at all into two water tight compartments.

Blow to Monopolists

The nationalisation of the 14 major banks is a big blow to the monopolists in our country. These 14 banks have under them 72 percent of the total deposits of all the banks. In other words, these banks have with them 2742 crores of rupees of bank deposits. They have a share of 65 percent in the total bank advances. These nationalised banks were controlled by the Big Business of the country. For example, Tatas controlled Central Bank of India, Birlas, United Commercial Bank, Dalmia-Jains, Punjab National Bank, and the Gujarati big business controlled the Dena Bank. These Big Business houses were utilizing the resources of the banks according to their resources. They were the people controlling production in the private sector and the financial resources. In fact, they were boɉh the tenders and receivers of the bank advances. Becuase of this link-up, the monopolists' hold has been increasing and the Monopolies Inquiry Commission brought out in its report that only 75 Big Business houses were controlling the economy.

According to the Directive Principles of our constitution and the aims of Planning in the country, the growth of the monopoly and the concentration of wealth and income in a few hands must be ended. The nationalization of the banks is only a beginning towards the achievement of this goal. So long as the hold of the monopoly over the economy is not broken, neither can the country progress towards a just social order nor can the life of the common people be improved. It was admitted by Sri Balraj Madhok in his *Presidential Address* at the 13th All India Session of the Bhartiya Jana Sangh in 1966. He said :—

"Even....meagre increase in per capita income is illusory because a major part of the total national income has passed on to the upper crust of the privileged sections of society who have the monopoly of contracts, big business and import licences. As a result the rich have become richer and the poor have remained unmitigated. This fact is borne out by the fall in per capita consumption of food and cloth...."

Sri Madhok was expected to welcome the bank nationalization measure directed against the malpractices of big business. Everybody knows that the big business which controlled the banks utilized their resources to make money through speculation, hoarding of good grains and other necessaries of life and the bogus and 'benami' transactions to make black money. Because of the speculative activities and hoarding, the prices of the essential commodies have been going up and at times artificial scarcities have been created. All these have resulted in the impoverization of the masses and making ineffective whatever the toiling masses gain out of their struggles. To check this, nationalization of banks was a *must*. Sri Balraj Madhok who once said, "we are-opposed to monopolistic control of production and distribution in any field...." should have hailed and supported this step of a the Government; but instead, he went to the Supreme Court, along with Sri Masani, to challenge the validity

of the Ordinance. On what grounds? Sri Madhok is not a fool, he thinks, he is too smart and intelligent to be caught. He said to the Court that the promulgtion of the Ordinance only 40 hours before the beginning of the Lok Sabha Session was infringement of his privileges as a member of the Lok Sabha.

Whom Does is Service?

Mind it, Sri Madhok, a self-appointed Professor of History, did not say that the nationalization of the banks was a wrong step, but the people have also intelligence to spot a hypocrite.

Further, even the *Organiser* which rarely sees reason in any matter, had to admit in its July 26, 1969 issue that the resources of the nationalized banks were not properly utilized. To quote : "A major argument of the protagonists of nationalisation is that funds were being funnelled into undesirable channels, into the hands of big business and industrial tycoons. *Nobody* (not even ORGANISER!-GM) *can deny there was a tendency to use public money for monopoly interests.*" Then the question arises as to why, in this situation, the Jana Sangh is opposing the nationalization of banks. It is clear that it is facing a dilemma. All the time it has been supported and financed by big business and it has always tried to serve the masters. But the votes are not in the pockets of the big business, they are with the common people. To get votes, the Jan Sangh has been using communal propaganda, and has been mouthing the slogans dear to people. But in this critical sitiution when it has to take sides, its intentions and its real face have been uncovered. It is not a party of the small traders, shop keepers and the peasantry but of the big business and the feudal landlords.

Had it been really a party of the small industrialists, it could have supported the nationalisation measure. Till now what the Jana Sangh had said about the small industries proves to be a bundle of lies. Let us see what the leaders of the Jana Sangh hvae been saying all these years. To quote Sri Nanaji Deshmukh from his article 'Essentials of a National Industrial Policy' (in the *Jan Sangh Souvenir,* published on the eve of the 15th Annual Session of the BJS in Bombay in 1969) : "It is....necessary to give a place of pride to the small and medium scale industries in our Scheme of industrial development. Agro-based industries to cater for the need of intensive agriculture offer wide scope to small and medium scale industry scattered through the country side. Maximum encouragement should by given to the small and medium scale industries—'*the people's sector*." The Jana Sangh election manifestos both in 1962 and 1967 promised to give priority to the Small and Medium scale industries. As everybody knows, these industries are labour-intensive and capital light. In our country where unemployment has been increasing every day and there is acute shortage of capital, the development of the small and medium scale industries is the need of the time. According to an estimate, about a crore of people are fully unemployed. The number of the semi-unemployed and the disguisedly unemployed persons may run, if estimated, in several millions. That is why, in the Second Five Year Plan, an emphasise was laid on the development of the Cottage and Small Scale industries. Moreover, they can produce the consumer goods within a short time and can be helpful in checking the rise of prices. The Jana Sangh has also accepted this in its resolutions and manifestos. But what has been the role of the private commercial banks in this country vis-a-vis this sector?

As the private commercial banks have been controlled by the big business, it has always cornered almost the entire resources for the development of the large-scale industries and other nefarious activities. The Small Scale and Medium Scale industries *have remained neglected. Even after the 'Social Control'* which the Jana Sangh tries to deify, the situation did not change. The National Credit Council had suggested that 31 per cent of the total advances of the banks should go to the Small-Scale industries, but they did not pay any heed to it. A study prepared by a group of eminent economists in 1967 remarked : "Private Commercial banks have contributed an extremely small proportion of bank credit to small industry and agriculture despite the fact that 40 per cent. of India's Industrial production comes from small industry and 45 per cent. of total national income from agriculture.

There is no basis in the arguments usually given by the private banks for their failure to help small scale industry and agriculture."

The private commercial banks never tried to serve the needs of the rural areas and particularly agriculture. Agriculture is

starved of funds and because of the lack of suitable agencies for advancing timely and adequate credit to the rural population patricularly the small peasants, agricultural labourers and the artisans, the money-lenders and traders have been fleecing them and they do not have enough to eat all the year round not to speak of investment in agriculture. The lack of funds at their disposal has resulted in the scarcity of irrigational facilities leading them to depend on the vagaries of monsoon, better seeds, implements, livestock and fertilisers. The commercial banks which were avdvised by the National Credit Council to give 15 per cent of their resources to the agricultural sector, refused to care for this advice. The result is that there has been continuing a continuous shortage of food-grains and raw materials. As the agricultural production is not increasing in the desired quantity, the country is becoming heavily dependent upon the P.L. 480 imports from U.S.A. and other foreign countries. The result is a drain from our meagre foreign exchange reserve and undue political pressure on our country. Our freedom cannot be meaningful unless our country achieves self-sufficiency in food production. The condition of our artisans has been deteriorating rapidly. A large number of them have joined the army of the unemployed.

Agricultural Sector

In 1965, the commercial banks had given only 0.2 per cent of their advances to agriculture.

The Jana Sangh has been loudly delclaring its sympathies with and support for the agricultural sector. To quote from-an article of Sri Nanaji Deshmukh :. "The Bhartiya Jana Sangh proceeds by accepting as its aim, the building of scocio-economic and political system on the basis of the culture and civlization of this country. That is why, it accepts agriculture as the main industry of the country and its place in the plans of the country and it admits that so long as the agricultural production of the country does not increase, there will be no solution of the food-problem and at the same time other industries cannot progress because of the scarcity of raw-materials and other things."

Sri Balraj Madhok also said in 1966 : "Agriculture which sustains over 70 per cent. of Indian population and *accounts for*

50 per cent of our national income is India's basic industry in the truest sense of the term....Agriculture like any other industry needs investment...." He further admitted that there was a "flight of the meagre available capital in the rural areas to the cities". What the commercial banks have done is draining away whatever savings they can from the rural areas to the big cities. According to the study of eminent economists referred to above. "....the close links between industry and banking institutions are also indicated in the pattern of bank advances. For instance, out of the bank credit of Rs. 2097.7 crores for the year 1965, an amount of Rs. 1287.3 crores was extended for industrial purposes and another Rs. 536.8 crores for commerce. In other words, nearly 87 per cent of the bank credit was utilized for purposes of industry and commerce. Since 1950, the beginning of the Indian planning era and the time from when onward the banking business in India started growing at a fast rate, the pattern of bank loans has changed in such a manner that larger and larger share of the total bank credit is being directed to support indus trial and commercial activities. For instance, in the year 1953 (September) the total loans for industrial purposes stood at Rs. 182.39 crores only against the sum of Rs. 1287.3 crores in 1965. This is an increase of 6 to 7 times whereas the total bank advances had increased by a little over 4 times only. As a result one notices that the industrial loans which comprised nearly 36.4 of the bank credit in 1953 accounted for 61.5 per cent in 1965. The trend in bank loans extended for agricultural purposes was absolutely to the contrary. In 1953 (September) agricultural loans stood at Rs. 19.01 crores whereas the amount was Rs. 3.9 crores only for the year 1965. Not only the amount of absolute loan for agriculture had come down to one fourth of what it was in 1953 but more significant is the fact that the share of the agricultural loans in total bank credit declined from 3.8 per cent to its nearly one twentieth i.e. 0.2 per cent only."

Sri Balraj Madhok and his Jana Sangh in order to get votes and show lip-support to the cause of agricultural masses have always tried to smart as champions of their cause. Let us quote from Sri Madhok : "There is no doubt about the great scope of increasing production from the land under cultivation provided the necessary aids are made available to the cultivator and he has the incentive to produce more. Anyone conversant with

Indian agriculture would put cheap and easily available irrigation facilities as No. 1, provision of quality seeds at the right time as No. 2, and improved implements including live-stock as No. 3 in the order of priorities of the agricultural aids to be made available to the cultivators."

The private commercial banks have, as we have seen above, not cared a damn for either the small scale industries or the agricultural a sector. Their refusal left no option for the Government but to nationalize the 14 major commercial banks. After going through the above statements of the stalwarts of the Jana Sangh and self proclaimed votaries of the Indian culture one expected them to welcome it and give unqualified support to it. But they never respect their own words and their real intentions and words have always been opposed to each other. They are now opposing the nationlization of banks because the monopolists, whose interests the Jana Sangh serve and who prop it up with the financial support, want it to do. The faithful servant must obey his master! And still the Jan Sangh leader Sri Dattopant Thengadi, a so-called labour leader, is not ashamed of admitting that "Broadly speaking the allegation about the failure of private banking in pursuing national policies is correct. Farmers and small industrialists did not derive the benefits try deserved. It also cannot be denied that credit policies have to an extent been utilised for speculative and unproductive purposes. Concentration of economic authority in a few hands has also been an attendant evil" (*Organiser*, August 2, 1969). If Shri Dattopant Thengadi, a self-proclaimed friend of labour and the masses, really means what he has said, he should support the nationlization of banks without any reservation. But he cannot do so. He belongs to the Jana Sangh and the Bhartiya Majdoor Sangh, the Trojan Horse in the labour monement. Very few bank employees care for Sri Thengadi and his labour organization which exists in name only. They also know the hyprocrisy and the double-talk of the so-called votaries of the Indian culture.

The Jana Sangh leaders have a very short memory. They put in their election manifesto in 1967:—"Bhartiya Jana Sangh will make a statutory provision for the State Bank and other commercial banks to open branches in the villages, so that the credit needs of the farmers are adequately met at low interest rates." What the Jana Sangh promised to the electorate in 1967 is being implemented by the Government through the nationliza-tion measure.

As all know, the private commercial banks did not take sugges-tion of the Government to open branches in the rural areas to give banking facilities to the rural population and give them ade-quate credit. According to a study made in October 1967, only 3.8 per cent of the private Indian scheduled banks were located in places having a population less than 5,000 and 13.2 per cent. offices in the places having a population of less than 10,000. Contrast this with the performance of the State Bank of India. It has taken its services deep into rural areas. Total direct and indirect credit extended by the State Bank of India and its subsi-diaries to the rural sector for purposes other than food grains procurement rose by Rs. 36.2 crores in 1967 to Rs. 122.7 crores in 1968—an increase of 41.8 per cent. Out of 2,384 offices of the public sector banks in India in 1968, 60 percent were situated in rural and semi-urban areas. They contributed to the growth of small-scale industries on a significant scale. In spite of moral exhortations, the so-called social control, the private-sector banks did not take the develpment of banking and credit facilities in the rural areas seriously. Without nationalisation it was felt that nothing could be done through the private banks to develop the rural sector.

According to the criterion laid down by the late Pandit Din Dayal Upadhyaya, the economic-theoretician, that "to decide state, corporate or individual ownership..In practical considera-tions the nationalisation of the banks is fully justified." But who cares for that dead man?

Regional Balancing

The Jana Sangh has talked of the balanced regional growth of our economy. The removal of regional imbalances and the balanced economic development of all regional have been one of the aims of planning in India. It was felt that so long as the banks were in private hand much credit facilities to the backward areas would not flow because the profitability there would be less. The data show that only three—states West Bengal, Maharashtra and Tamilnadu—drew more

bank credit than their deposits. More than 345 crores of rupees was channalized for purposes of business and industrial activity from other states and made available to these three. In this way, they ensured the flow of resources from the less developed to the more developed areas. The result was the widening disparity among the states. Even this consideration did not force the Jana Sangh leaders to see reason. For their narrow selfish ends—that the development of the U.P., the M.P. and Bihar where they exist would be accelerated—should have made them see the validity of the step taken by the Govern-ment., but they were worried about the profits of the monopo-lists from whom a few crumbs they used to get.

Depositors' Profit ?

The net profits of the fourteen nationalised banks were as follows in 1968 :—

	(Rs.lakhs)
Central Bank	—1,19
Bank of India	—1,50
Punjab National Bank	— 74
Bank of Baroda	— 63
United Commercial Bank	— 55
Canara Bank	— 19
United Bank of India	— 26
Dena Bank	— 31
Union Bank	— 22
Allahabad Bank	— 20
Syndicate Bank	— 31
Indian Overseas Bank	— 15
Indian Bank	— 13
Bank of Maharashtra	— 24
TOTAL	664

This huge amount will not now go to fill the coffers of a hand-ful of the big business houses but will be utilised for the economic development of the country according to national priorities.

The self-proclaimed 'Professor' Sri Balraj Madhok says that as a result of the nationlisation of the banks, the depositors will be harmed. We fail to understand as to which depositors the learned Professor is referring to. It seems his memory is very weak. He has forgotten the "Palai Central Bank" and the "Laxmi Bank" The failure of these two banks in the recent past ruined a large number of the depositors. The ghosts of these two banks are still haunting the minds of the small depositors. The data show that in the recent past the percentage increase in the deposits in the State Bank and its seven subsidiaries has been more than in the deposits of the private commercial banks.

A study, *Banking Institution and Indian Economy*, prepared by a number of eminent economists observed in 1967.."..one would find that a large part of the shares are held by small isolated individuals scattered throughout the country. On the other hand, a fraction of the share-holders own a big block of shares. The wide dispersion of share-holders helps to strengthen the control of a small section of the share-holders in the banks. In a company in which all share-holders would be present at its General Meetings, the group which wishes to carry majority would require 51 per cent votes. But if the sharholders are scattered all over the country an interested group can enjoy control over the company with even lesser votes. Because of the wide distance and lack of interest by the average share-holder , control over the banks is exercised by a small group."

A few years ago, the Governor of the Reserve Bank admitted: "One of structural features of Indian banking is this concentration of power which, in some cases, is enormous in relation to the capital actually employed. *From tme to time we come across cases in* which a family or group has a controlling interest in *a bank and it has become a major task of inspections to* prevent the exercise of the interest in undesirable ways."

The ratio of paid-up capital to the total deposits of private commercial banks has been very low. Under the private ownership of banks, the security enjoyed by the depositors, inspite of the insurance of deposits, was not great because it rested on the ability and competence of those who determined the allocation and investment of the resources of the banks. A complete security to the depositors was wanted to encourage full confidence in the banks and for this the way out was nationalization.

From the above, it becomes clear that Sri Balraj Madhok is

a 'Professor of History' with weak memory and very little respect for facts.

Another interesting thing that has been observed is that a few capitalists have spoken against the bank nationalisation ordinance. Because of a weak case against the Ordinance, the FICCI failed to pass a resolution immediately and none from the Birla House, not even the Chief Captain Sri G. D. Birla, commented on it. Later one of the big bosses in the Birla hierarchy—Sri D. P. Mandelia said that he supported the Ordinance and claimed that socialism was an Indian idea and he was not afraid of it. But the Jana Sangh and its leaders have been more worried about the profits of the bankowners than Sri G. D. Birla or Sri D. P. Mandelia.

Sri A. B. Vajpanee took a clever line in the Lok Sabha on 25th July. Raising objections to the introduction of the Bill, intended to replace the Ordinance he said that it was against the rules of the conduct of the business of the house. He deplored the haste on the part of the government. What a queer contradiction between the stands of the two Jana Sangh M.P.'s. Sri Madhok said in his write petition that the government's hasty action in promulgating the Ordinance just 40 hours before the Lok Sabha met infringed his privileges and when the Government brings the Bill before the Lok Sabha within four days of the beginning of the session, Sri Vajpayee calls it a hasty step. He said, if the Government had introduced the Bill after the judgment of the Sureme Court, the defects of the Bill could have been removed in the light of the observations of the Supreme Court. Mark it, Sri Vajpayee did not say whether the nationalisation was wrong. What he had in mind was this: After the judgment of the Supreme Court, it would be too late for the Government to get it passed in this session of the Lok Sabha and in the meantime the rightist forces would be mobilized to pressurize the government to withdraw the measure.

One wonders whether it is the same Vajpaee who wrote in April 1969.

"Sections of society which have remained down-trodden and depressed since centuries have to be assured a life of dignity and equality.

This entire country with its 52 crores population is our field of work, and the object of our loyalties and devotion. Our freedom has to be insured for ever, and or national integrity has to be made unbreachable. India must live in the world with dignity and self-respect. For this, India has to be strong, united, prosperous. It is to this end that all our policies and programmes and their implementation shall be directed." Clearly the Jana Sangh and its leader Sri Vajpayee have failed to live upto the above words and they cannot do so as long as they follow the dictates of the big business.

The indecent language surely cannot convert a weak case against the nationalisation of banks into a strong one. The *Organiser*—the Jana Sangh mouthpiece it seems has gone mad. It has called the Prime Minister a '*Dangerous Women*' and concluded that all '*women rulers are disastrous*'. What a shameless paper the *Organiser* is : The sloka quoted in the beginning of the editorial page is obviously directed at the P.M. Its English version is : "The face charming like a lotus, the speech soothing like sandal paste, but the heart destructive like scissors —these three are the characteristics of a knave." The kind of Indian culture it propagates and believes is that of a gutter. Only the believer in a gutter-culture can write the caption "*Mehbooba's Millilionaire Socialism*". These writings have uncovered the real face of the uncultured repository of the Indian culture which enjoined on the people to respect every woman as their mother or sister.

But why this mad raving ?

Because Smt. Indira Gandhi has taken courage to nationalise banks and because the big businss patrons of Jana Sangh do not like it. In the service of big money the Jana Sangh forgets the common millions and throws decency and culture to the winds.