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Mr. M.R. Masani's Speech in the course of the discussion on the Banking Laws (Miscellaneous Provisions) Bill, 1963, in the Lok Sabha on 19th December, 1963.

SHRI M. R. MASANI (RAJKOT) : Mr. Deputy Speaker, it seems very difficult for some of us to understand the mind of the hon. Finance Minister and his department. Only three days ago he made a statement on economic policy which was both enlightened and sophisticated and we had hoped that perhaps from then on the policies that would be followed would also be enlightened and sophisticated. Only two days later, today, he has come up once again with this reactionary and restrictive provision.........(An Hon. Member : Reactionary ?) Anything that holds back the progress of the country is reactionary. This Bill repeats the pattern of the unfortunate Companies Bill which the House was dragooned into accepting a few days ago by a dictate from above.

What are the functions of a bank ? - four, I believe : to provide safe custody for the funds of those who save; to mobilise thereby the savings of the community; to invest these resources in industry and commerce for valid productive purposes; and finally to provide credit to enterpreneurs so that their productive operations may be financed. In more advanced countries, even the operations of farmers are financed by banks in that manner.

Today, one third of the banking system of India is already under the control of the State through the State Bank and its subsidiaries. Two-thirds is owned by thousands of small shareholders. Some of them are big banks called scheduled banks. The Reserve Bank regulates and guides the entire system with the wide powers that it enjoys today.

This is a situation that is appropriate in a mixed economy. Under British rule, our banking system was impeded by the domination of the British banks. Since Independence, Indian banking has a pretty wonderful record of service and by and large they have made good progress. By and large, banks have been efficiently run. I very much regret that the Minister, while discussing this subject, failed to bring this point home. There may be a few malefactors, as there are in every walk of life, but by and large the banking industry is competently and honestly run.

You are now opening the door to the kind of demagogy which we have just heard from the Communist benches. They talk of concentration of power. There is no basis whatsoever for this bogey that the communists and Congress benches are raising for demagogic reasons. The Reserve Bank's pamphlet on Trends and Progress of Banking in India during 1961 shows that, in the case of 40 banks inspected, the concentration of advances in the hands of a few operators was Rs. 31 crores, roughly 2.3 per cent of the total advances of those banks amounting to Rs. 1346 crores. That percentage of 2.3 was a drop from what it was eight years ago in 1953, when it was 3.8 per cent. In other words, whatever little concentration of advances there was was dissipated and has come down from the insignificant figure of 3.8 to the even more insignificant figure of 2.3 per cent. Advances to directors, relations of directors and all those in the control of banking operations, in the case of those 33 companies inspected, was Rs. 9 crores representing 0.7 per cent of all advances as against 1.1 per cent in 1953. The Minister would have been fair to himself and to the country if he had the fairness and decency to state these facts before the House instead of trying to mislead it in the way Government are trying to do. If any concentration of power exists in the banking industry, it is in the hands of the

Reserve Bank of India, the nominees of the Minister himself. He is the big monopolist, big State Capitalist and the banking monopolist who is now trying to squeeze out the weaker sections by using police powers for the purpose.

Anything that injures the delicate structure of the banking mechanism is a blow to the economy of this country; it is monkeying with the economy of this country. That is what the Bill does.

My communist friend who spoke before me claimed that the Government of India are the guardians of the sixty lakhs of depositors. Let them go and get a vote of confidence from these sixty lakhs. These sixty lakhs of people have confidence in the bankers who run the industry today, and that is why they put their money in the banks. They have no such confidence in this Government. The expansion of the country's money market and the credit facilities of this country will be retarded by the monopolists and bureaucratic tendencies. ~~Save of~~ those who deposit their money in banks will today hoard it in future, buy gold or put it underground, because they will not trust this confiscatory and expropriatory Government whose words cannot be trusted as we saw in the debate on the Companies Bill. Lakhs of depositors have faith in the banking companies and have no such faith in the Government. Let the Government hold a plebescite among the sixty lakhs of depositors and then see whether they have confidence in the Finance Ministry.

It may be that there are malefactors; there are abuses. We know there are. Is that the reason for hamstringing the entire industry ? There are corrupt Ministers, we have seen that there are; there are corrupt officials; we have seen that there are. Is that the reason for abolishing Government ? (An Hon. Member: Turn them out) and having anarchy ?..... (Interruptions) Would it be logical if you abolish altogether the Government because some Governments are corrupt ? That is a fallacious argument. Deal with the malefactors; you have the support of the whole country. But do not lay your axe at the root of the tree that gives the country this credit mechanism. I have said that their record is generally good. There are exceptions and they should be dealt with, but not by this crude and rusty weapon which is sought to be wielded.

Apart from the danger to the country, look at the position of the Reserve Bank itself. It has its hands full. Its record by and large, is reasonably good. In the last ten years, it has learnt gradually to rise to its responsibilities. It is just at this time when you dump on it an amount of ministerial forms and work which is altogether repugnant to any intelligent set of people. This will lead to further bureaucracy ; this will lead to the expansion of staff, and this will lead to Parkinson's Law setting in motion again. You are creating a huge bureaucracy to run something that requires a delicate mechanism. I feel sorry for the Reserve Bank of India and those officials who will now have to do a lot of clerical and ministerial work which should not be entrusted to them. Any amount of paper work will be dumped on them, of which figures have been given in this House. Thus, the quality of supervision and leadership that the Reserve Bank should give will be weakened and even the Reserve Bank will not be able to perform its functions in the way it should.

It may be argued that this Bill does not seek to destroy the banking industry. My hon. friend over there is entitled to say that. I think that it does not destroy the banking industry, of course, but it only cripples it. Crippling is the first step to destruction. That is why, from these Communist Benches, your Bill has been welcomed. The Communist Party in every country believes in increasing misery. It believes in disrupting the social fabric so that the pillars can be brought down.

Their welcome should make you think twice. The democrats who adorn the Congress Benches should think twice when they get support from these Benches. It is very dubious support. The enemies of the country's progress want something; that is a very good warning to all men of good faith to think again.

So, this Bill will cripple the banking industry. I entirely agree with and endorse what has fallen from the lips of the preceding speaker from the Congress Benches. He said "he shudders to think" what would happen after these powers are given. How long will the Hon. members of the Congress Party go on sitting there and shuddering to think ? Why do they not think instead ? Why not cross the floor ? In any other country, when a man shudders to think of the results of Government's actions, he crosses the floor. There are many members of the Congress Party who are today shuddering to think. I appeal to them to consider their own obligations to this country : whether they would remain there or whether they will, in being honest to the country, cross the floor.

I will not spend time on the clauses since you have been good enough to keep two hours for the discussion of the clauses. I, along with my hon. friends on the Congress Benches, have tabled several amendments, and we shall discuss these clauses when they are moved. But there is no doubt at all in my mind that the powers given by clauses 18, 11, 13 and 9 will be disastrous. This Bill gives the Government, through the Reserve Bank, the power to remove a director or an officer or an employee, even a clerk, of a bank without giving any reason, without alleging any crime. Even if they do not contravene the provisions of any rule or regulation, the Reserve Bank can say : "Mr. so-and-so will hereby be dismissed from the bank." He stands dismissed. It is true that normally he may be heard, but the Reserve Bank may dispense even with the right to hear the gentlemen concerned and dismiss him without his being heard and leave him to make an appeal to the courts later. Is this consistent with the spirit of the rule of law ? Is this the kind of thing that we want to bring into existence under our Constitution, about which we all expressed pride in the last two days ? This is a classical example of giving to the Reserve Bank power without responsibility.

Today, the Reserve Bank cannot sack even its own officers. Under the Industrial Disputes Act and the orders of tribunals, the management of the Reserve Bank cannot sack its own clerks and its own officials. But it can arbitrarily sack anyone else's clerk and anyone else's officials. So, the labour laws of the country will not protect them. It is an anti-labour legislation, quite apart from anything else.

That is the way it truncates the discretion of the bank managers and directors to run the bank as their shareholders and their depositors want them to run it, and that is why we are opposed to this Bill altogether.

There is a clause that seeks to truncate the right of non-banking companies to carry on the work of banking. This is something that has come down in our country, as in other countries, from tradition. From the middle ages, in India, in the countries of Europe, there have been banking houses which have been of a mixed character. They are not banks, they do other business; they also safeguard depositors by putting their deposits to fruitful uses. There is nothing wrong with it. Even today, in the more advanced countries of the West, there are institutions that are not primarily banks that carry on the business of banking. Again, we are trying to hurt these institutions at a time when the banking industry in this country has not developed to its full stature, when people in the villages do not know what a bank is and do not know where they can deposit their money. We are trying to destroy the only channel in which these small depositors place their money in safe hands. All these are various aspects of this needless regulation and interference.

The aim of the Bill, as given in the Statement of Objects and Reasons, is, as usual, deceptive. Anyone who reads the Statement will think that this is a very modest Bill. The name of the Bill is even more deceptive. It is called the "Banking Laws (Miscellaneous Provisions) Bill". It has been well said in the press recently that it is a Bill which seeks not only to enhance and extend the powers of control and supervision over the commercial banks but to an extent enabling the Reserve Bank of India to appoint additional directors on the Board of the banks, summarily dismiss them without going through the due process of law and to issue directives regulating the maximum financial accommodation that will be needed, and so on and so forth. There is a long column, and it ends by saying sarcastically that "it yet has been designated as a Bill containing miscellaneous provisions". There is nothing miscellaneous about this Bill.

MR. DEPUTY SPEAKER : The Hon. Member's time is up.

SHRI M. R. MASANI : I would like to take a few minutes more. I am the only spokesman of my party.

MR. DEPUTY SPEAKER : You have already taken 15 minutes.

SHRI M. R. MASANI : Not quite; something less. So, Sir, I was saying that this Bill should have been described as a Bill to Cripple the Banking Industry and not as a Miscellaneous Provisions Bill. It is a Bill with malice; it is a Bill with a knife in it. There is nothing constructive about it.

I would have gladly supported my hon. friend's motion that the Bill be referred to a Select Committee. I think that such a Bill should go to the Select Committee but, after the experience we had in this House a few days ago and the contempt with which this Government treats reports of Select Committees, I do not think very much purpose will be served. Therefore, I am moving that this Bill be circulated for the purpose of eliciting opinion thereon by the 29th February 1964. I know that my hon. friend opposite will not accept this amendment. They want to hustle the country and the House into passing a Bill about the very nature of which we do not understand enough. I am not familiar with banking. This morning, when the amendments of the hon. Minister were flung at us, when we were asked to discuss them this afternoon, I certainly could not understand the purport of more than half of them. I think I understood about half; the other half, I said I shall have to consider what they contain. Is this the way that the House is going to be asked to enact legislation which would affect the very economic life of this country ?

I would like to make another suggestion to my hon. friend. Postpone the Bill. Appoint a Commission of Inquiry at a high level. Let the Commission of Inquiry go into the entire structure and management of the banking industry. Let the report of the Commission of Inquiry be placed before the House and let legislation be introduced on those lines. I challenge the Government to do that. Then they will have a case. Otherwise, today, they are asking us to take action against the industry without any basis at all.

Now, in his book entitled 'A Week With Gandhi', my friend Mr. Louis Fisher quotes Gandhiji as saying that, if Gandhiji had had his way, he would have wound up the Reserve Bank of India and the State Bank and distributed the funds in their vaults throughout the villages of India, because this should have been the decentralisation of economic power. That was Gandhiji's symbolic way of showing his antagonism to monopolistic State institutions like the Reserve Bank and the State Bank.

What does this Bill do ? This Bill does exactly the reverse. This

Bill tries to take away the deposits of the small people throughout the villages and towns of this country and bring them into their hands, the hands of the big monopolies in Bombay and Delhi. That is why this Bill is contrary to everything fundamentally democratic and liberal in Gandhiji's teachings. It is not an accident that one of Gandhiji's best living disciple, Shri Jai Prakash Narayan, wrote in the Hindu on 8th November : "The more centralised the economic order, the greater is the exploitation; power has also to be decentralised. The basic thing in a democracy is, who takes the decision ? A few at the top or the many at the base ?"

Once again, in this Bill as well as in the Companies (Amendment) Bill last week, we have a clash between those who believe in a free society and those who believe in a command economy of the Soviet type. The support this Bill has got from the representatives of the Soviet Government and system in this country shows that this is not a democratic Bill.

SHRI PRABHAT KAR : What have these representatives to do with the Soviet Government ?

SHRI DAJI : Sir, on a point of order. He said "representatives of the Soviet Government". It cannot be allowed. He must withdraw it.

MR. DEPUTY SPEAKER : Please withdraw it.

SHRI M. R. MASANI : I withdraw the word "Government". I meant the Soviet system.

(ends)