

RAJYA SABHA

***SUPPLEMENT**

TO

SYNOPSIS OF DEBATE

(Proceedings other than Questions and Answers)

Thursday, August 10, 2017/ Shravana 19, 1939 (Saka)

FAREWELL TO THE RETIRING MEMBERS - *Contd.*

SHRI SITARAM YECHURY: I am, overwhelmed by the words I have heard from the Leader of the House, the Leader of the Opposition and from my very esteemed and respected colleagues. It was very touchy. You will, of course evaluate my contribution. It is not for me to talk about them. I thank you and the House for everything that has been given to me. The last twelve years have been a very crucial period in the political life of our country. To that extent, I think, an opportunity to contribute my mite is something that I am very grateful about.

I entered this House very reluctantly. I did not know that Lok Sabha and Rajya Sabha are referred as 'Houses.' That was the state before I entered into this House. But, it is a great experience to be here. I have learnt a lot since I have come here. Shri Shumsher Sheriff, whom I knew even earlier as a very competent IAS officer became the Secreary General.

I would like to pay my gratitude to everybody in the staff here. I notice only one thing, since you are in the Chair now, at the

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moment, I can only tell you that there is a lot of outsourcing and privatization of staff that is going on. I hope that does not happen. This staff has saved this Parliament from coming under a terrorist attack. I beseech you to please take care of this staff because it is the backbone, the invisible backbone that helps us keep functioning.

Our Secretary-General comes from IAS, IFS, IPS. Sardar Patel called them the 'steel frame'. These are the officers who unite our country.

We have the All India Institute of Medical Sciences. Crowd of patients is increasing there day-by-day, because, you have there the quality of doctors. If you can today fire a rocket to Mars, it is not because of any external technologies that you have got, but because of what we developed ourselves. That is the faith I have, as I leave this House, that this august House will strengthen that internal strength of India,

If you try to impose a uniformity – whether it is religious uniformity or it is linguistic uniformity or it is cultural uniformity -- on our diversity, then, this country can never remain together, it will only implode.

We can strengthen our country by strengthening the bonds of commonality that run through our diversity. The focus must be on the bonds of commonality which run through our diversity. The Constitution of the country has to be strengthened. We have that potential of making India from being leader of knowledge-society in the world by providing our youth education, health and jobs. Let us build a better India to create a better society in the future. Unity and harmony of the country can't be compromised. I request you to take along everyone to build a strong India so as to touch sustainable development goals.

I. STATUTORY RESOLUTION

Disapproval of the Banking Regulation (Amendment) Ordinance, 2017 (No. 1 of 2017)

II. GOVERNMENT BILL

The Banking Regulation (Amendment) Bill, 2017

DR. T. SUBBARAMI REDDY, moving the Statutory Resolution, said: Sir, I would like to know why the Government is resorting to this method of bringing an Ordinance again and again. The Government could have very well waited for the current Session of the Parliament. For dealing with the stressed assets, the Government had a lot of options, both legal and non-legislative loan recovery processes. There are two types of NPAs. The first type is caused when people intentionally run away and don't repay money to the banks. The second type of NPAs occur when industries like textiles, steel, cement, sugar etc. are financially weak and temporarily unable to repay loans. These NPAs are creating a wrong impression among the public. Therefore, I would like to draw the attention of the hon. Finance Minister to consider this very important matter. Regarding the Bill that is under consideration, the Reserve Bank of India may issue directions to the banks to go in for insolvency. Now, they should first appoint an insolvency commission, which forms creditors committees and then the creditors committees together may take a decision on the banks. There is a time-bound resolution of an insolvency problem.

THE MINISTER OF FINANCE, THE MINISTER OF CORPORATE AFFAIRS AND THE MINISTER OF DEFENCE (SHRI ARUN JAITLEY), moving the motion for consideration of the Bill, said: Sir, we all know that the banking sector today is suffering from a serious problem of NPAs. I don't want to politicise this matter by asking when and why the loans were given. Highest NPAs are in steel sector because of availability of cheap steel from China which affected the production of our steel companies. The Government took necessary steps in this regard and now, this situation is improving. The infrastructure sector is at second position in terms

of high NPAs. There was no legal mechanism to settle the disputes of this sector. The companies involved in road sector have shown some improvement now. So far as the electricity sector is concerned, many states have subsidised electricity for gaining political mileage which has caused State Discoms heavily.

Power Sector's companies automatically drifted towards NPAs. Therefore, The Ministry of Power brought UDAY bonds. State Governments included that debt into their debt. They should increase their rate gradually so that discoms could operate themselves on commercial constructions. When coal mines were allotted on large scale, it seemed power sector will expand. But price of renewable energy declined continuously. For the first time, a situation has arisen in the country when capacity of power has increased and there are a few to buy this power. There was a little problem in textile sector also. RBI tried to solve this problem by bringing scheme after scheme. We also amended DRT law so that procedure could be simplified. We liberalised Securitisation Act so that Asset Reconstruction Companies (ARCs) may come and if management of someone of them is changed, institutions having capacity of taking over them are created. Many ARCs have been established in the country in this way. We also brought insolvency law. Four or five sectors have large debts. Any single company has thousand of crore rupees debt. There are multiple lenders. One lender is ready to settle the matter while the other is not. Many a time, it is difficult to establish coordination among multiple lenders. This is a simple and one-line ordinance. The Reserve Bank of India has been authorized to direct bankers to initiate insolvency proceedings if there is difficulty with present management of such large companies. Its urgency arose from the fact that debts are mounting up. The capacity of the banks to lend to small creditors is being impacted. The capacity of the banks to support growth is being impacted. By this process, the banks will slowly start realizing the money. The asset will not be wasted or rusted. The companies will continue to function and the jobs which are there in the companies will also be saved. That is the urgency in the larger interest of the country.

SHRI BASAVARAJ PATIL: Many banks have come to a very bad situation today. Everyday there is discussion on this in the country, there are NPAs of rupees six lakh or rupees eight lakh, therefore, it was necessary for the Government to bring a bill. This special amendment bill has been brought to give right to all the banks to take decision according to the situation. In today's condition, it is urgent in the interest of the country.

SHRI JAIRAM RAMESH: There are various estimates floating around with regard to NPAs. But one of the most authentic estimates that I have read is that the level of NPAs in the system is about rupees nine lakh crore; rupees three lakh crore has been restructured; and another rupees three lakh crore is unrecognised stressed assets. So, we are talking of a total of rupees fifteen lakh crore which could be NPAs. This is a very significant amount and this is impacting on the financial stability. It is impacting on the banks' ability to lend. In fact, we are faced with a situation where corporate credit is probably running at its lowest level over the past decade and a half and the direct result of that has been high level of NPAs. Over the last thirty years, Parliament has passed four laws to deal with this issue.

Parliament has passed four laws and the RBI has issued six orders or six schemes to deal with this problem of NPAs. This has not been effective and, therefore, the Ordinance had to be issued and the Banking Regulation Act had to be amended. One of the reasons given is that in other countries Central Banks have been given this responsibility. I would like to ask unlike in other countries, Government is the main owner of the banks in India. The RBI is a regulator. Is the Government shying away from its own responsibility for issuing directives to the banks because of the fear of CBI, CVC and CAG? What is the merit in transferring this responsibility from the owner to the regulator? This introduces huge conflicts of interest and also dilutes the responsibility of the owner. Insolvency and Bankruptcy Code has already been invoked in 12 cases and I welcome that step. Even after doing all this, there will be a need for recapitalisation of banks. As opposed to the requirement of 26 billion

dollars, the Government has committed only three billion dollars for recapitalisation. How will the gap between the recapitalisation requirements be filled? My third question relates to the current economic situation. The economy is not exactly in a buoyant mood. The Finance Minister informed that the total expenditure of the Union Government during the first quarter of this year was Rs.6,50,730 crore, which is 30 per cent of the Budget Estimate as opposed to about 26 per cent in the previous year. I welcome this. In the first quarter of 2017-18, the Government has already consumed 81 per cent of the budgeted fiscal deficit. It means that expenditure will not increase to the extent that is being desired. I want to know from the Finance Minister whether in the first quarter of this year, he has already reached a very dangerous level of fiscal deficit which will circumscribe his expenditure options later on. To assume that everybody who has an NPA has done something suspicious is going to be a very wrong mentality. In case of NPAs, the public should know as to why, in fact, these NPAs ended up being what they are. In short, I support the Bill.

SHRI NARESH AGARWAL: I do support this Bill but I want an assurance that this final Bill should be one of empowerment. It should not happen after this that the Banks are to be given further powers. Today the condition of the banks is so bad that you give 20 thousand crore rupees every year from the budget to the banks. I am opposed to the provisions for imprisonment in the Acts that you are making in case of economic affairs. The problem being faced by the power sector is that there is no buyer of power. The Electricity Councils of the States have taken so much loan from the banks that all of them are running as losses. Today the condition of the real estate is so bad that 12 crore people have become unemployed due to the closure of just the real estate. For those industrialists who wish to repay their loans, first you reschedule their loans, then given them a chance for OTS and as a third step recover the loan strictly. Reserve Bank does not tell how many notes it has collected after demonetization. By when will the Reserve Bank count them? The states have started announcing loan waivers. Is loan waiver a solution for the problems of the farmers? You entrusted the crop insurance

scheme to the private companies. From the amount that they get for crop insurance the farmers are getting only 20 percent while these private companies are getting 80 percent amount. Which are these private companies whom the Government has entrusted the task of crop insurance?

Farmers are committing suicides. Government has no policy. We talk of minimum support price, but it is not available. The state of farmers today is that they are unable to lift potato from cold storage because the sale price of potato is lesser than the cost incurred in cold storage. What I want to say that if you make Banking Act, then ensure that people like Mallaya are not able to flee the county. As per treaty entered with Switzerland you will be getting the names in two years time and by then the all money will be withdrawn. In Panama leaks all names have been revealed even then nothing had happened to them. Why were they given chance to convert their money to white after 10 percent payment and you are also happy that you had got so much of FDI. Please act against them. Why don't you announce the 12 names who own 25 percent of total NPAs. Farmers are confined to tehsil for default of just for one lakh farm loan. The farmer can progress only when they get cheaper farm loan. Since the land holding is reducing continuously, what will happen to the farmers? The banking should not remain confined to the riches, it should reach to villages also otherwise Ponzy schemes will continue. Even today hardly there is a bank branch available to the one lakh population. Now SBI has announced to reduce interest rates. Please announce today that deposits below one crore would attract more interest than the deposits of a crore and above. Unemployment is increasing in the country. Nationalisation of banks was done for poors. Therefore you formulate schemes that benefit poors. I support the Bill and hope that now onward banks can no longer express their inability to recover NPAs

SHRI N. GOKULAKRISHNAN: The Banking Regulation (Amendment) Bill, 2017 proposes to give more powers to the Reserve Bank of India to deal with the large accumulated Non-Performing Assets. According to the RBI, the corporate sectors alone accounts

for 88 per cent of the NPAs. Indian Banks need to provide, at least, Rs.18,000 crore additionally towards the 12 accounts identified by the RBI. The banks have written off a total of Rs.2.46 lakh crore worth of loans in the last five years and this might have benefitted a few people, but the waiving off agricultural loans surely benefits millions and millions of poor farmers and prevents suicides by them. Therefore, the Centre should bear the entire burden of farmers' loan waiver scheme. Farm loans account for only one per cent of bad debts but farm loan waiver scheme alone is blamed for the erosion of 'honest credit culture'. In several cases, factors operating at the global level, determine the local trade trends. Steel sector, for example, accounts for 25 per cent of the corporate bad debts. But they suffered heavy losses due to free inflow of foreign steel and ultimately were pushed into the debt trap because Government did not come to their rescue. I do not know whether credit risk appraisal norms are enforced for the corporate sector also as in the case of the MSME sector. Concession and tolerance is shown towards the big players while the MSME and marginal farmers are harassed is astonishing. While appreciating the current set of well-calibrated policy initiatives for resolution of stressed assets, the onus is now shifting towards the RBI in the recovery process. On the one hand, the borrowers would have to modify their priorities towards regular repayment of loans if they want to stay in the business and, on the other, the Bill offers great relief and freedom for bank managements also. The amended package empowers the RBI in regulating the process of resolving the stressed assets as well as the way of dealing with defaulters. The bad loan scenario in the country is certainly grim. Therefore, the resolve of the Government for tackling this problem through this Bill is a big boost to the Indian economy in general and to the banking sector, in particular. Without a strong and healthy banking system, it is difficult for a developing country like India to become an economic super power. Now, with the passage of this Bill, it becomes the responsibility of the Reserve Bank, the public and private sector banks and the high profile borrowers to work in tandem and make it successful.

SHRI SUKHENDU SEKHAR ROY: I record my dissent the way this Bill is being considered and would, possibly, be passed. We do want to discuss Bill etc. The Parliament is meant essentially for legislation. First of all I would speak about the objective of the Bill. Which authorise the RBI to issue directions to any banking company to effectively use the provisions of insolvency and bankruptcy code for timely reduction of stressed assets. I have a doubt whether, at all, there would be time-bound results after the imposition of this Code. NPAs have grown alarmingly in the recent years. The gross NPAs of Public Sector Banks are worth Rs. 6,05,991 crores. But the question is about achievement of results in a time-bound manner. I cannot go through the provisions of this Bill due to the paucity of time, but it has, essentially, left enormous scope for more and more litigation. One of the 12 defaulting account holders managed to get stay from the High Court. This would continue in respect of each and every big fish who have eaten away the public money through the public sector banks. As per RBI guidelines Criminal proceedings can be initiated against the willful defaulters. I would request, Finance Minister to inform this House as to how many criminal proceedings have been initiated against the big fish so far.

The Finance Minister is saying that criminal proceedings will be initiated against those who have made a fraud and those who have siphoned off the money, the loan amount. But why is the Government shying away from naming those people? Why the Government has not initiated any move to amend the archived RBI Act of 1931 and the Banking Regulation Act of 1949 which debar the RBI and other banks from disclosing any commercial information. The time has come that the Government must take a move to amend those archival provisions. The media has speculated about 15 to 16 names which have committed financial frauds and several other notorious names are there. One of them has run away from the country and has taken the citizenship of St. Kitts with which India does not have an extradition treaty. So even if the Government wishes to bring him back to this country and produce him before the court, it cannot do so. This is why I say that this amendment will do nothing. Therefore, I oppose this Bill in its entirety.

SHRI HARIVANSH: I rise to support the Bill as I think it is an important and effective Bill towards improving the financial health of the Public Sector Banks. The number of taxpayers has increased by 25 percent during the last two-three years due to demonetisation and a number of other steps taken and revenue of Government has thus gone up. The steps taken by Government will also check the deteriorating condition of NPAs. By December, 2016 the number of wilful defaulters of the public sector banks was 9130 and the total outstanding towards them was Rs. 91155 crore rupees. Therefore, our first priority should be to instill fear of law among the wilful defaulters. Secondly, I would urge the Hon'ble Finance Minister to separate the posts of Chairman and Managing Director in Banks to bring more transparency in the system. At the same time, action should be taken against those during whose tenure, NPAs and the number of wilful defaulters rose to their highest.

SHRI TAPAN KUMAR SEN: The 'loan defaulters' have been given various respectable names such as 'Non-Performing Assets', 'Stressed Assets' or, for that matter, 'Non-cooperative Borrowers'. There is no reason to give respectable names to those who are pilfering banks' money in the name of investment. Secondly, I think, before passing this Bill, it is the duty of Government to clarify the apprehensions which some quarters of Government have created by constant argument in favour of privatization of banks. You have already made a public statement that banks should go in for a 'haircut' to address the NPAs, while some Rs. 3 lakh crores have already been written off. Then, you brought another Bill called Financial Resolution and Deposit Insurance Bill which is being conceived with sweeping arbitrary powers to a resolution board constituted under this Bill to liquidate banks, which are under loss! In this background, how this action is going to be effective has to be seen. Secondly, the Government says that 80 per cent of NPAs are due from just 50 companies. These 50 companies cannot be straightened. The sovereign Government of India is having sovereign powers, but they cannot take an appropriate action against 50 companies. Privatization cannot be a solution. Besides the banking system many other public sector companies are being targeted for privatization. I must state that

none of the public sector company has made defaults with regard to debt servicing. You are targeting them for wholesale privatization. I welcome the steps to empower the banks. The RBI is a regulator. They are not service providers. The Government must direct and the banks should be directly empowered to invoke the Insolvency and Bankruptcy Code. And, if they don't invoke, their Boards can be held accountable. A quick recovery is possible only through this process. The responsibility of selecting the companies against whom the Insolvency and Bankruptcy Code is to be invoked has to be discharged by the Board of Directors of the bank. Only then, the accountability can be established and the process can be expedited. Make banks directly responsible and directly accountable. Empower them to invoke Insolvency and Bankruptcy Code on those debtors who are making the bank bleeding. The names of those 50 borrowers should be made public. Don't keep the RBI in between.

SHRIMATI SAROJINI HEMBRAM: Introduction of this Bill was necessary when we consider the condition of the banks and to control the increasing NPAs. In comparison to other countries, our NPAs are higher. If we talk about the NPA, it amounts to Nine and half Lakh Crores as of now. It is leading banks to the bankruptcy. The selected industrialists, corporate houses, numbering approximately 12-13 in numbers, they owe more than Two and Five Lakh crores i.e. they owe one fourth of the total NPAs. The problem of NPAs is further aggravating instead of coming down. I think the corruption and vested interest in the banks are responsible for it. The rich and corporate houses collide with the banks and misappropriate the funds by manipulating the rules. There are such more big companies from which recoveries have not been made so far. 40 thousand crore rupees have been deposited under Jan-Dhan Yojna. Now, If that money is taken away by rich people, its benefit will not reach to poor people. Therefore, through this Bill, I would urge the Government to provide for stringent-most punishment for such people.

SHRI VEER SINGH: This Bill empowers RBI to issue directions to Banking Companies with regard to NPA settlement. Banks are getting bankrupt because of increasing NPA. There is a loan of more than 2.5 lakh crore rupees on a few industrialists of the country. Banks are unable to recover it. After this amendment, RBI will be able to recover the dues by giving directions to Banks strictly. By the efforts of Government, it is expected that necessary improvements will take place in financial management and NPA would be brought down. I would desire from the Hon'ble Minister to make the banking system responsible along with making it strong and transparent. I feel that there is a need to reduce interest rate on loans. There are so many big industrialists in our country who have fled with crores of rupees. I would like to ask the Hon'ble Finance Minister to recover the dues from such big industrialists. We will have to pay attention towards farmers and labourers, if we have to make progress. With these suggestions, I support this Bill.

DR. NARENDRA JADHAV: We are facing a grave situation. We all know that some of the big defaulters have fled abroad and are mocking the Indian judicial system from abroad. While one of the defaulters has challenged the very constitutionality of the RBI's directions. On the other hand, in several parts of the country, small farmers have been committing suicides for their inability to pay small debts to the banks. The situation must change and this Bill is a very good step in that direction. I whole-heartedly support the Banking Regulation (Amendment) Bill, 2017.

SHRI V. VIJAYASAI REDDY: What is really the cause of concern is the steady increase in NPA levels year after year. As per the RBI data that has been released recently, the NPA levels are expected to go up to 12 per cent by end of this 2017. I can confidently say that a majority of the banks would get into losses. Despite the fact that the Government of India has taken some measures, still the NPA levels are going up. Demonetisation didn't improve the profitability of the banks. Statutory Central Auditors have to accept the recommendations of the Branch Auditors in so far as bad debts are concerned. I can confidently say that a majority of banks, as of today,

would only be into the losses. The Financial Stability Report noted that a credit shock is likely to impact the capital adequacy and profitability of a significant number of banks. Under the new provision, the RBI can set up a Committee to help the banks.

SHRI D. RAJA: A majority of the NPAs, is in the public sector banks, where the Central Government is the majority shareholder. The Government has decided to empower the RBI instead of directly acting against the defaulters. There is a strong apprehension that the public sector banks are going to be weakened further and finally, will be handed over to private hands. The Finance Minister must take the employees into confidence because they are the real primary workforce in the banking sector. When students take loans and don't repay the loans, they are penalised. But when it comes to corporate houses and big business houses, this is not done. All India Bank Employees Association has been demanding that the Government should publish the names of the defaulters and treat wilful default as a criminal offence. The Government should show some political determination and take action against wilful defaulters.

SHRI TIRUCHI SIVA: The RBI is a policy institution and giving this role to the RBI enables it to perform business functions which may act as an initiation of its expanding business role rather than policy role. The RBI must be given only the role for issuing guidelines and not directions. The Bill should focus on addressing the NPA issue and how banks can effectively deal with it. I suggest that education loan should not be brought under NPAs because it amounts to only 6.9 per cent of the NPAs and about 70 per cent of the dalit and backward students are getting these loans. If they default in repaying their loans and intend to start a small-scale industry or become an entrepreneur, they would be denied further loans and this would increase unemployment and there will be anarchy.

The Hon'ble Minister, replying to the debate, said: I am extremely grateful to all the Members expressing concern about rising NPAs. While there is nothing wrong with loans being given, at the same time there is nothing wrong if banks try to recover them as per rules because it is essential for good health of economy. As per existing provisions, normal commercial details are never published. But in the case of wilful defaulters, there is no prohibition. It is regularly published. This Government has taken the most action on all the foreign accounts details which have come. It is true that the NPA figure is rising but it has nothing to do with my tenure as these are all old loans. RBI is not only a regulator in India. Through this Bill, it has been consciously given the responsibility of public debt management for better and proper management of the same. This is why, only the big defaulters instead of farmers, students and small loanees, have been selected by RBI for taking action against them.

The court threw out the challenge, so, there is no stay. So, the list of 12 people that you read out are exactly the 12 against whom the RBI recommended in the first round. Now, in the case of Governments, you may say, "Well, the Government has a motivation in selecting 'A' and excluding 'B'. So, the Government maintains its arms length distance. Some company may take it over for the purpose of running the management. The DRT is one system; the securitization is another system; and the schemes under the RBI are other systems. I think, this is one move which has shaken the defaulters and which has a potential because so far India has moved on the principle that till such time you take the loan, you run after the bank and, thereafter, the bankers run after you. I can tell you that for the first time the defaulters have started now running after the banks and saying, 'We want to settle on these terms; we want to get a partner'. My plea to the hon. Members is, the other House also in one voice supported this legislation. We are expanding both NCLT and DRTs. We are expanding the infrastructure there. That is a difference between an NPA and a wilful defaulter. An NPA is a person, who because of business losses or otherwise, is not able to service the loan.

A person, who has fraudulently acquired it and has committed some kind of an offence along with it, is a wilful defaulter.

I. The Statutory Resolution was negatived.

II. The motion for consideration of the Bill was adopted.

Clauses etc., were adopted.

The Bill, was passed.

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Secretary-General.

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