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Prime Minister

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BANK

NATIONALISATION

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PUBLICATIONS DIVISION

**PRIME MINISTER
ON
BANK NATIONALISATION**

**PUBLICATIONS DIVISION
Ministry of Information and Broadcasting
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CONTENTS

WHY BANK NATIONALISATION?	1
Broadcast from All India Radio, July 19, 1969	
A STEP IN THE RIGHT DIRECTION	5
Speech during debate in Lok Sabha on the Banking Companies (Acquisition and Transfer of Undertakings) Bill, July 29, 1969	
TOWARDS SOCIALISM	11
Speech during debate in Rajya Sabha on the Banking Companies (Acquisition and Transfer of Undertakings) Bill, August 7, 1969	
THE TASKS AHEAD	21
From the Independence Day speech delivered in Hindi at Red Fort, Delhi, August 15, 1969	
NEW ROLE OF BANKS	25
Speech at Bankers' Club of Delhi, August 28, 1969	
BANKING WITH A PURPOSE	28
Address to the Custodians of the nationalised banks, New Delhi, September 30, 1969	

WHY BANK NATIONALISATION ?

SOME of you have, perhaps, already heard that the Government has nationalised, by an ordinance, fourteen of the biggest commercial banks incorporated in India. I should like to tell you how we propose to operate the nationalised banking system.

As early as December 1954, Parliament took the decision to frame our plans and policies within a socialist pattern of society. Control over the commanding heights of the economy is necessary, particularly in a poor country where it is extremely difficult to mobilise adequate resources for development, and to reduce the inequalities between different groups and regions. Ours is an ancient country but a young democracy, which has to remain ever vigilant to prevent the domination of the few over the social, economic or political systems.

Banks play a vital role in the functioning of any economy. To those who have money to spare, banks are the custodians of their savings, on which a good return can be earned by wise and efficient management. To the millions of small farmers, artisans, and other self-employed persons, a bank can be a source of credit, which is the very basis for any effort to improve their meagre economic lot. Even established trade and industry,

big or small, cannot function or expand without adequate bank credit on reasonable terms. For our growing number of educated young men and women, banks offer an opportunity for employment, which at the same time is an opportunity for service to society. To those who do not have business of their own, banks, like the postal system or the railways, provide a facility for our daily life.

Larger Social Purpose

An institution, such as the banking system, which touches—and should touch—the lives of millions, has necessarily to be inspired by a larger social purpose and has to subserve national priorities and objectives. That is why there has been widespread demand that major banks should be not only socially controlled but publicly owned. It is not an accident that this has been the practice even in some countries which do not adhere to socialism. That is also why we nationalised, more than a decade ago, the life insurance business and the State Bank, or the Imperial Bank as it was then called. That is also why we have set up, directly under the aegis of the State, a number of financial institutions to provide medium or long-term credit to agriculture and industry. The step we have now taken is a continuation of the process which has long been under way. It is my earnest hope that it will mark a new and more vigorous phase in the implementation of our avowed plans and policies. But it is not the beginning of a new era of nationalisation. Nor is it an attempt to transfer resources which are already employed productively to other sectors. The problems of growth, whether on farms or in factories, whether in backward regions or in others only relatively well-developed, whether in relation to exports or growing self-reliance, can be solved only in a positive manner, which looks essentially to an enlargement of resources and opportunities rather than to redistribution for its own sake. Certainly, public ownership of the major banks will help to eliminate the use of bank credit for speculative and unproductive purposes, particularly to the extent that it is encouraged at present by the association of a few leading groups with some of our major banks. I should like to assure all sections of industry and trade that legitimate needs for credit will be safeguarded. Indeed, it shall be our endeavour

to ensure that bank credit expands on the basis of genuine savings in keeping with the growing needs of all productive sectors of the economy.

Objectives of Nationalisation

Some time ago we had adopted social control over banks. What is sought to be achieved through the present decision to nationalise the major banks is to accelerate the achievement of our objectives. The purpose of expanding bank credit to priority areas which have hitherto been somewhat neglected—such as (1) the removal of control by a few, (2) provision of adequate credit for agriculture, small industry and exports, (3) the giving of a professional bent to bank management, (4) the encouragement of new classes of entrepreneurs, (5) the provision of adequate training as well as reasonable terms of service for bank staff—still remains and will call for continuous efforts over a long time. Nationalisation is necessary for the speedy achievement of these objectives. But the measure by itself will not achieve these objectives.

As far as possible, and certainly for some time to come, we propose to retain the separate identity and the present management of each bank. Therefore, when the banks reopen after the week-end, your relations with the bank will remain the same as they were before nationalisation. This is true not only for those who bank in India but also for those who bank abroad with the branches of the Indian banks which have now been taken over. In due course, structural and other changes may become necessary. These will be made in an orderly fashion and after broad-based consultations and the most detailed expert examination. Most of you are, perhaps, aware that a Banking Commission is examining this very problem of defining a structure for the banking system which would be more appropriate to the needs of the economy.

Need for Determined Effort

We are poised at present for substantial progress in agriculture and industry, in exports and in replacement of imports by domestic production. In order to exploit fully the opportunity which has been created by the enthusiasm and initiative

of our farmers, workers and industrialists, by the industrial capacity already built up and the growing cadres of well-trained managers and technicians, we must make a determined effort to mobilise resources and to deploy them wisely for productive uses. I have no doubt that the important step we have just taken, at the beginning of the new Plan period, will facilitate the achievement of the aspirations we all share for our great country.

I appeal to all of you to help in the productive and purposeful implementation of this step. I appeal particularly to the managers and staff of the banks, which have been nationalised, to co-operate fully in the task of making the banking system serve our national objectives better. I am sure that the management and the staff of these banks will make every effort to render prompt and courteous service to those whose well-earned savings are entrusted to their care.

In our internal as in foreign policy, we believe in acting according to our judgment and in keeping with our traditions and needs. There can be no question of aligning ourselves this way or that, whether internally or externally. We remain committed to the freedom and progress of the people of this great country.

A STEP IN THE RIGHT DIRECTION

I HAVE followed with keen interest the course of the debate on the Bill which is before the House replacing the Ordinance to nationalise fourteen scheduled banks. I have also followed the expression of opinion even outside this House in the newspapers and in other forums. I have been deluged with letters and telegrams and crowds of people. I must say that the reaction of the people all over the country has proved that the step we have taken commands the support of the overwhelming majority of the people of our country.

There are, of course, professional Cassandraes who have throughout these years of Independence prophesied doom and despondency, but they are fated to be unbelievers. Fortunately, the noises they make are inversely proportioned to the weight of their argument or even to their numbers, as our Hon. friend Shri Dwivedi said earlier.

Nationalisation of the fourteen banks is totally justified in strictly economic terms as well as in terms of the broad objectives which we have pursued and shall continue to pursue so as to ensure that the hopes and aspirations of millions of our people are not sacrificed.

The Two Sectors

As early as 1954, the objective of a socialist pattern of society was adopted by Parliament. This was followed by the growth of the public sector investment which provided the basic infrastructure for further industrial development.

The debate between the relative merits of the public and private sectors is rather artificial. They both have a vital role

Speech during debate in Lok Sabha on the Banking Companies (Acquisition and Transfer of Undertakings) Bill, July 29, 1969

to play in our economy. But, when I expressed criticism of the public sector, let it not be understood that the private sector is the embodiment of virtue. Indeed, its record is not such as to arouse inspiration or enthusiasm. And if this sort of ill-informed lobbying continues, as my colleague mentioned the other day, the Government have enough evidence to show the woeful state of affairs prevailing in different sectors of private enterprise. I would, therefore, earnestly urge those who deride the public sector day in and day out and run it down to act with greater responsibility and prudence.

The more one examines the manner in which most commercial banks in the country were functioning, one is led to the view that the measure which we are debating in this House was inescapable and absolutely necessary.

There is a vital difference between banking and other industries. The financial stake of the shareholders in the banks is almost negligible. The paid-up share capital and the reserves of the fourteen banks constituted hardly 2.4 per cent of the deposits. As against a total deposit of nearly Rs. 2,750 crores of these banks on December 31, 1968, the paid-up capital was only Rs. 28.5 crores or just a little over one per cent. The bank managements were thus operating almost exclusively with other people's money.

In Other Countries

This aspect of banking has always been a source of concern even in countries which do not profess socialism. Indeed, as Hon. Members probably know, there are countries with a predominantly capitalist economy which have either thought fit to nationalise their banks or subjected them to extremely vigorous surveillance. France found it necessary to nationalise its banks and the law relating to nationalisation was voted within two days almost without any discussion. Of the six large banks there, four were nationalised and two were left out for certain reasons. These two together have only one-twentieth of all the banking assets of France. Similarly, in Italy, four out of the five big banks are in the State sector. In Sweden, the Government acquired the capital of two banks, and they were amalgamated in 1950.

People have raised the question about social control : why

it could not have been tried for a longer period. Social control has many useful features such as the emphasis on professional management, which will still be valid. It had also defined higher priorities for agriculture, export and small industries. But the weakness of social control was that in many banks, people who had been controlling their policies in the past continued to exercise their influence over them in one way or another, sometimes, by the continued presence of the old Chairman or Vice Chairman on the Boards of these banks; and the banks might, as some did, obey the instructions and directions given to them. But there is all the difference in the world between people who carry out a policy whole-heartedly and with enthusiasm and those who do so only because of certain instructions. But even these directions given were not followed by many of the banks, and we cannot continue to ignore the impatience and frustration with which the under-privileged look at our efforts to help them stand on their own feet.

Role of Foreign Banks

It has also been asked here why we have not included foreign banks in this legislation. Foreign banks are part of a world-wide organisation and this enables them to give certain special facilities and service to exporters and importers, and for this type of service Indian banks do not have adequate network of branches abroad.

Foreign banks have an intimate knowledge of parties in other countries on whom export bills are drawn by Indian customers. Foreign banks thus have a distinctive part to play, in advancing foreign currency loans and administering them on behalf of their parent office, rendering service to tourists and in the spreading of information about business opportunities in India and in other countries in which they operate. At the same time, foreign banks are under strict regulations. One of the rules which has been adopted is to restrict foreign banks to port towns only and only such foreign banks as have already opened branches in the interior are allowed to do business outside port towns. The Reserve Bank of India will permit expansion of a foreign bank only where it is found necessary to enable these banks to render more efficient service to the Indian consumers in financing foreign trade and tourism.

Small Banks

The other criticism was about leaving out the small banks. The purpose of nationalisation is to promote rapid growth in agriculture, small industries and export, to encourage new entrepreneurs and to develop all backward areas. Banks with deposits of Rs. 50 crores and above have branches in many States. As against this the operations of the smaller banks are limited to certain specific regions, and with their wider coverage the fourteen banks which we have included would be in a better position to implement the Government's objectives than smaller banks. Smaller banks already cater mainly to the smaller borrower as is revealed by the fact that the average size of a loan account is very much smaller in the case of these smaller banks. Small banks are part of the community in which they function and small businessmen and small industrialists have some say in their operations. Some differentiation is already being made between the bigger banks and the smaller ones in respect of a number of regulations.

We have no intention to set up a central monolithic agency to run all these banks. While we must strengthen machinery at the Centre, there will be autonomy for each bank and the Boards will have well-defined powers. We will give directions but these will be on policy and general issues, not on specific loans to specific parties. We shall be vigilant about the dangers of too much interference—whether it is motivated by political or other considerations.

One Hon. Member said that these fourteen banks would be outside the purview of the Reserve Bank. This is not at all true because they continue to be scheduled banks and the Reserve Bank's powers with regard to them will also remain. This will not reduce the Reserve Bank to insignificance. In fact, it can become more significant and purposeful and the Reserve Bank's organisation may have to be strengthened and given now definite directions.

No Bureaucratisation

I entirely agree with those Hon. Members who have said that there should not be bureaucratisation. We must preserve the initiative and incentive as also the identity of these banks. We are taking powers to reorganise them after preparing a scheme and

placing it before the House. But we want to do this in a way which will not eliminate healthy competition or initiative.

Fair Compensation to Shareholders

I should like to take this opportunity of assuring shareholders that the compensation we have provided is fair and equitable. We are also trying to make payment of compensation to the actual shareholders as quickly as possible, as has been explained by the Law Minister.

An Hon. Member has said that the payment in the form of Government securities would cause hardship to the shareholders. I should like to rebut this very strongly. Only recently the Government of India floated a loan at $4\frac{1}{2}$ per cent, repayable in seven years. These securities sell at a slight premium in the market. The thirty-year loan carrying an interest of $5\frac{1}{2}$ per cent is also selling at a premium. For any member of the House to suggest that the new securities will mean a capital loss to the shareholder is the most dangerous and irresponsible remark to make.

It also happens that the poorer sections of the community are made to part with their assets at less than their fair value, by doubts being raised about their true worth. I hope no one in the House will say anything which will lead to such exploitation. The securities which will be negotiable can be sold and should fetch a price which does not involve any loss.

I should like to assure the management and the staff of the banks that we shall look after their legitimate interests and that from them we expect courtesy and co-operation. There should be no agitational approach now without regard to the interests of the country or the banking industry. We hope that labour and management will be co-operative as well as responsible. I am happy to say that many representatives of the bank employees who have come to see me have on their part assured me of their co-operation in this matter so that this measure can be implemented successfully and in the right direction.

The genuine needs for bank credit, whether of industry, trade or agriculture will be looked after.

Sacred Trust

I have already assured that the banks will look upon the funds entrusted to them by depositors as a sacred trust. The

public in India are already used to dealing with banks in the public sector. The State Bank and its subsidiaries already control one-third of the deposits and no one has suggested that the interest of the depositors has in any way been jeopardised. I do not say that the State Bank is perfect but certainly in comparison with the services given to the community it is in no way behind any of the other private banks in its efficiency or in the manner of giving credit. The Post Office Savings Banks have been playing an important part in popularising the banking habit even in remote rural areas. The Post Office Savings Banks had 1½ crore depositors at the end of 1967 and accounted for over Rs. 700 crores of deposits.

Not even the worst critic of the Government can suggest that the depositors in the Post Office Savings Banks have at any time felt that their interests were not secure.

Extended Service

To the general public, we assure improved and extended service. There has been serious imbalance in the development of banking facilities as between different regions in the country. There is urgent need to expand banking facilities in the States which are "under-banked". Even in the developed States, banking facilities are confined to the urban areas, specially to the metropolitan areas, to the comparative neglect of semi-urban and rural centres. An analysis of the Statewise credit-deposit ratios has shown that it is very low in several States, such as Assam, Bihar, Rajasthan, Orissa, Uttar Pradesh, Madhya Pradesh, Haryana, Punjab, etc. This has led to the complaint that the banks mobilise resources in the form of deposits in certain areas and utilise them elsewhere, thus aggravating regional imbalances. These trends can be corrected and the policy of balanced regional development, which has frequently been emphasised in this House and outside, can be implemented when banks are under public control.

I should like to assure Hon. Members that in the implementation of this measure, the Government will make every endeavour to prove worthy of the widespread and warm support which we have received for this measure in this House and in the country at large. We want to implement this measure not merely for the extension of credit but we want to extend that

credit with a purpose—the purpose of dealing with some of the deep and serious problems which different sections of the community and different parts of the country have been facing since Independence.

I agree with my Hon. friend opposite that it is not a historic step but it is a step in the right direction and I would ask all Hon. Members, who are interested in its successful implementation, to help us by giving suggestions and ideas which we shall certainly consider so that it could be implemented in a manner which will not disappoint them or the country at large.

TOWARDS SOCIALISM

THIS debate in the House has revealed many strange things—the people who support the Bill and why they support it, those who do not support and the reasons for which they do not support—and many strange arguments, theories and similies have been put forth. Whatever the reasons, I should like to express my gratitude for the general support which Hon. Members have extended to this Bill. I have already expressed my thoughts on it here and most of the points which have been made have already been dealt with previously.

Speech during debate in Rajya Sabha on the Banking Companies (Acquisition and Transfer of Undertakings) Bill, August 7, 1969

However, I should like to remind the House that it was more than a decade ago that Parliament put before the country the goal of a socialist pattern of society. To us this did not imply ownership of all the means of production by the State but we did visualise that there should be large areas for the operation of private initiative and enterprise subject always to regulation in the public interest. The socialist pattern of society did impose on us the obligation to bring the strategic areas of our economy under State ownership and control. It also meant that the Government had and has an obligation to take remedial measures to ensure that our political democracy is not eroded by economic distortions.

Role of Banks

In every country, including the predominantly capitalist communities, it has been recognised that banks and other financial institutions occupy a vital position. In an economy such as ours, which is a developing one and which is seeking to compress the process of development within the span of a few five-year plans, the role of banks is even more important than in the mature economies. We must stimulate the saving habit amongst all sections of our people, both in the rural and the urban areas. We must see that these savings are garnered and utilised in accordance with the priorities and objectives of our Plans and in our new Plan, on which we have just embarked, we want to provide greater opportunities for small and new entrepreneurs. We want to ensure that the full potentialities of the agricultural revolution, which is under way in many parts of the country, are realised and that the efforts and aspirations of our progressive farmers are not impeded for want of credit. We want to initiate corrective action against the concentration of economic power and privilege which has come about in the wake of economic development.

We cannot deny that the control of the banking system by the bigger business groups was an important contributory factor in the growth of monopolies in the private sector. In spite of all the publicised efficiency of the private banking system over all these years, we find that deposits in them constitute only 16 per cent of the national income and I understand—I think this point has been made by other Hon. Members—that there

are still 13 districts in India where there is not a single banking office and the major metropolitan centres still account for the bulk of bank deposits and bank credit. Can anyone deny that the development of banking facilities has been lopsided and that banks have not been efficient instruments in the mobilisation of deposits and the provision of credit for worthwhile purposes in different parts of our country?

State Bank's Record

I do not want to embark on the virtues or otherwise of the public sector, because I have said a few words on it this morning, but again this matter has been mentioned by several Honourable Members. I should like to say, however, that in the field of banking, the public sector has a record of which it can be legitimately proud. I see my Honourable friend, Shri Babubhai Chinai, here and I would, therefore, like to say a few words specifically about the State Bank. I think it has shown imagination and initiative in formulating and implementing programmes to finance small-scale industries since 1956. At the end of 1968, the total sanctioned limits for assistance to small-scale industrial units by the State Bank and its subsidiaries amounted to Rs. 162 crores.

The State Bank also played an important part in providing remittance facilities. In 1969 alone remittances effected through the State Bank on behalf of the co-operative banks which are dispersed throughout the country amounted to nearly Rs. 700 crores. Also, the State Bank, from the very beginning, looked upon the provision of banking facilities in the rural areas and semi-urban areas to be one of its primary responsibilities. More than 70 per cent of the branches opened by the State Bank and its subsidiaries were in towns with a population of less than 25,000. About 60 per cent of the total number of branches are today located in such smaller places.

The State Bank has also been a pioneer in introducing several new facilities. Some of these are: travellers' cheques, credit transfers, instalment credit scheme for the benefit of small-scale industries, one-man office, and schemes for assisting qualified technicians, transport operators and retail trade. The State Bank has undertaken these developmental activities without detriment to commercial and banking principles. Its record in the

mobilisation of deposits compares favourably with other banks.

Now, this is where I come to Shri Chinai. In 1968, its deposits rose by 12 per cent and its performance was better than that of other banks. Shri Chinai observed that while the deposits of the State Bank rose only by 84 per cent during 1960-68, the deposits of the other scheduled banks in the private sector went up by 164 per cent. Now, why has this happened? This does not accurately reflect the growth of public deposits in the State Bank because at the end of December 1960 the aggregate deposits with the State Bank were Rs. 576 crores, out of which PL-480 deposits were Rs. 241 crores. The PL-480 deposits were subsequently transferred to the Reserve Bank of India over the next two or three years, of course, under a phased programme. Therefore, if we exclude the PL-480 deposits, public deposits in the State Bank rose from Rs. 335 crores—*i.e.* Rs. 576 crores minus Rs. 241 crores—to Rs. 1,061 crores at the end of December 1968. This reflects a rise of about 200 per cent. So, it is clear that we have allowed the State Bank to function untrammelled, without interference by the Government on political or other considerations and I think this should give sufficient assurance to this House and the people at large that the banks which we have taken over will function not as wings of the Government, but as sound business institutions.

Credit for Whom?

There is one point I would like to make very strongly and that is that sound business does not mean that credit should be provided only to those who can furnish security in the form of property and that it should be denied to others even if the projects proposed by them are otherwise credit-worthy. I think that the whole emphasis should shift from credit-worthiness of persons to the credit-worthiness of purpose.

Loans which help production and in stimulating employment will now be encouraged, while borrowing for speculation and similar purposes will be discouraged. Today our banks are not well equipped to deal with loan applications on the basis of their viability. Government will take early steps to arrange for intensive training of personnel for technical appraisal of projects and in view of nationalisation, it will be possible to

pool the resources of the fourteen banks and to promote programmes of training on a common basis.

I have said several times and I should like to repeat that nationalisation does not mean that the existing industrial enterprises will be deprived of their credit needs for genuine productive purposes. But we are aware that there is a tendency on the part of some enterprises to make heavy demands on bank resources, while their own internal resources are used for other purposes such as cornering shares and acquiring control over other enterprises and these practices, I am sure the House will agree, must be curbed.

May I also emphasise that nationalisation will lead to a more equitable distribution of credit throughout the country. Hon. Members are aware that many areas of our country have remained backward not for want of natural resources, but for various historical reasons. It is our duty to ensure that their backwardness is not perpetuated for want of finance. Now with nationalisation, it will be possible to draw up a rationalised programme of expansion which will pay special attention to those States and those parts of the country which have so far lagged behind. Institutions providing finance for the development of industries have recently decided to take certain steps to encourage enterprises in backward areas and the nationalised banks must provide working capital and contribute to the growth of industries in these backward regions.

Interests of Depositors

It is unfortunate that even some responsible persons and some people even in Parliament should try to create misgivings and a sense of insecurity amongst the depositors. I should like to repeat the assurance, if indeed it is needed at all, that the interests of the depositors will always be kept in the forefront and they may rest assured that their funds in the nationalised banks are as safe as those in the State Bank of India or in the Post Office Savings Banks.

Critics forget that small savers in our country have long been used to putting their money in Post Office Savings Banks for nearly a century, and the State Bank has already more than a decade of loyal service to its credit. I am sure that the depositors will not pay heed to the criticism of the self-appointed

guardians of their interest. Their true guardian is the Government, and efficiency and courtesy should be the watch-word of our nationalised banks. Special responsibility, of course, rests not only with the Government but also with the employees of the banks including the supervisory and managerial staff. I have no doubt that the professional, managerial staff will rise to the occasion as it now has a unique opportunity to promote the real interests of the community through sincere and dedicated service. I have faith in the innate good sense of the employees of the public sector, and I am sure that this faith will be fully vindicated in their performance in the years to come.

May I add that the large numbers who have been coming to see me have, of their own accord, assured me of their co-operation in this matter. I should like to request businessmen and industrialists to adopt nationalisation not merely in the spirit of acquiescing in an accomplished fact but of extending their hand of co-operation in developing our economy. May I remind them that the Government and they have a vital common interest in accelerating economic growth through progressive and co-ordinated endeavour. There is still considerable room for freeplay and to provide them with initiative and drive in many fields. So, I hope that instead of adopting a purely negative, critical attitude towards the policies of the Government, they will realise their obligation towards the society and walk with the Government towards the fulfilment of the objectives which are enshrined in our Plan.

Widespread Approval

I think there has been no single measure in recent years which the Government has taken which has evoked such widespread approval. Not only farmers, small-scale industrialists, trade unionists and professional and managerial classes have welcomed it both for its intrinsic merit and for the evidence it affords of Government's concern for social justice and economic growth, but many other people have also been coming, and, if I may say so, the shift which was visible between the stand taken by the Jan Sangh in the other House and the stand taken by it in this House is itself a proof or witness that within these few days even they, isolated as they are from the contemporary world by

the cobweb of superstition and of communalism, must pay some heed to the upsurge of feeling which they see all round them.

The Swatantra Party's thinking, we have always seen to be a little twisted, and how twisted it is has been demonstrated once again. I would like to ask the House only one question: Is the right of a person to put money into a particular bank, greater than the right of the common man to basic necessities which right also is enshrined in our Constitution? We all have rights. We all have needs. But there must be some comparison. Some years ago when I paid a State visit to the United States, I quoted a proverb which I believe comes from Maharashtra: "A man said, I complained that I had no shoes until I met the man who had no feet." We have to look at the problems of the country from that angle. Nobody wants to deny the rights of any person unless these rights are impinging on far more valid rights of a far larger number. This is the question which is put before us. It may also interest the Hon. Members that after I said that 95 per cent of the public has supported the measure, besides the large numbers of associations, labour, peasants, rickshawalas and stone-cutters and others who came to me, a very large number of people have written or come from the intelligentsia including bankers, editors, depositors, etc., assuring me that they would like to be counted within the 95 per cent. It is for the Hon. Members to judge whether—this point I think has been made, I cannot remember by whom—chaos is more likely to come because of some slight annoyance or slight inconvenience to a few people than from the disturbance and tension which the growing disparity causes amongst vast numbers of the under-privileged in our country.

Bogey of Communism

Some Hon. Members here and many people outside have raised the bogey of communism. It is strange to see that Macarthyism, which is long dead in the place of its birth, should have now found a foothold across the seas and the continents in India. It shows that those who propound this theory show an astounding ignorance of the political forces at work in our country and of the facts of life in the India of 1969. I was astonished to see screaming headlines in some financial news-

papers about a speech which I made recently. I said nothing in that speech which I have not been saying for many years, when I was Congress President, after that and before that and I think that this is a very deliberate attempt to distort and misrepresent the thought or feelings or sort of views which I was trying to put across to the people who had gathered. Certainly I said that many changes have to take place. Is there anybody here who will say that we do not want changes in this country? What are we sitting here for? What is the Government functioning for?

It is the business of every one of us who is responsible, who is at all interested in the welfare of the country, to see that the country changes steadily and as fast as possible because the people's impatience is growing. It has already been said, I have said it, that this is a small step we have taken. I do not think it is a giant step or revolutionary step, but it is a small, very definite step in a particular direction, and what I said there was that if we did not implement this step or if we did not do all the follow-up which was necessary, then this step would be worthless. This is what I said. This is what I believe in. Many things have to be changed in our country. The whole picture of disparity has to be changed. I do not think this has anything to do even with socialism. This is just plain commonsense.

Therefore, we should try and not get swept off our feet or like King Canute try to control the waves and say that if we want the sea to stop at a particular place, it will stop. Here the sea is a mass of human beings, human beings who are politically conscious, human beings who have suffered and struggled for freedom and who today are suffering and struggling for development and to make that freedom real.

Popular Upsurge

It is not in the power of Hon. Members opposite nor is it in my power to stop this upsurge of public feeling. No one can have missed the tremendous psychological change which has come about in this country by this one small step. I do not think that anybody, even the least understanding, even the poorest person, thinks that this is going to change his life suddenly or that it is some miraculous wand which has been waved. They are very conscious that it is not. But they think that at last

things are moving and they think that we were in a rut and we have got out of the rut. How far we move, where we move, that responsibility is still with us. But they do think that we have been able to push back the forces of inertia and of *status quo*. Nowhere else is this change of mood and exhilaration more noticeable than in my own party. Congressmen who live at the grass-roots level feel that bank nationalisation is the fulfilment of larger goals and objectives of our party to which its leaders pledged themselves even in the thick of the struggle for freedom decades ago. It is an important step forward in keeping with its promise to the people and in keeping with the changing needs of the time. If I may, I want to quote something :

I am afraid that for years to come India would be engaged in passing legislations in order to raise the down-trodden, the fallen from the mire into which they have been sunk by the capitalists, by the landlords; by the so-called higher classes. If we are to relieve these people from the mire, then it would be the bounden duty of the national Government of India in order to set its house in order continually to give preference to these people and free them from the burdens under which they are being crushed.

This is not a communist speaking; it is Mahatma Gandhi.

Some Hon. Member, I think my good friend, Shri S.N. Mishra expressed fears regarding the likely political appointments. Now, 'politics', again, is a word with strange and different meanings. When I was in England a long time ago—I was a student—we heard the phrase 'the politics of the unpolitical', which is that any change in the existing state of affairs is considered 'political' but if a person sticks to the *status quo* and fights the forces of change, that is considered to be 'unpolitical'. Only the other day, I read a well-known, non-communist liberal British journal. In this there was a description of the typical double standard which exists. That is "Radical rules are called doctrinaire meddling while *status quo* right-wing rules are supposed to be the free man's commonsense." Similarly confused thinking seems to persist in our country also.

Future Programme

Bank nationalisation, as I have said earlier, is but a part, a significant part of our larger programme. May I say, because of

these headlines which have been appealing in the newspapers, that there is no mystery or hidden surprise about our future programme. Our policies and our programmes have always been open, have always been in front of the people. The broad socialist objectives which my party seeks to serve and which we have placed before Parliament have been approved by Parliament. Nationalisation of banks was intended to serve the same goal. Other aspects of our programmes have been incorporated in our Plans and in the economic policy which our great party has approved. They were summed up recently in a resolution adopted unanimously by my party at Bangalore. These are the items of the programme; they have to be studied in depth and pursued.

Today we have taken one step. We have to see that it is properly, rightly implemented. But we shall certainly look at the other programmes which the party has endorsed and what is needed at this moment is a new sense of urgency, a new sense of dynamism, a new sense of dedication and of service. Let us make this the occasion. After a long time we have such a large commitment to this programme, with support almost from every political party with the exception of two, and from the country at large. This can form the basis for our co-operation in taking our country in this direction, which step, not at once, but certainly step by step, will take us out of the present stagnation, will take us towards a better and brighter future.

THE TASKS AHEAD

WE HAVE once more assembled at this historic place. This day is a milestone in our history and gives us an opportunity to look back on our achievements and on our failures. At the same time it gives us an opportunity to look ahead and to see which way we have to go and which way we are going.

We all know what has happened in our country during recent years—what has happened in our countryside, in the field of agriculture and the general progress we have made over the years. Production of foodgrains has increased. By the abolition of Zamindari we have tried to relieve the distress of our most oppressed and suppressed peasants, though we know that there have been some failings too.

There has also been tremendous progress in the field of industry. Really speaking, all our important industries have been set up only after the attainment of Independence. Our efforts have been to establish big industries only in the public sector and to abolish monopoly, but we know that we have been successful only to a limited extent and all that we had aimed has not been realised. We also know that there are a few industries which are not running as satisfactorily as they should but we are doing our best to improve their working. These industries are not the property of the Government but they are the property of the people and the earlier they start yielding profit and the better they function, the more would be the benefits flowing to the masses from them.

Our country is forging ahead in every field. Of course, there have been crises in the life of the country—the spectre of war on our frontiers or drought stalking our land or communal riots

From the Independence Day speech delivered in Hindi at Red Fort, Delhi, August 15, 1969

or ther disturbances—and they have done damage but I also realise that all these calamities have added to our experience. We have learnt a lot from them and we have marched forward with more resolute steps.

The Path of Socialism

We have gone ahead in the right direction. The path of socialism has been chosen by the people of India through the demooratic process and it continues to have their approval. One very significant step in that direction has been taken recently. You all know what it is—the nationalisation of banks. I am fully conscious of the tremendous spontaneous reception it has received from the people. A large number of people—big and small—came to meet me or wrote to me to say that this is a right step in the right direction. Rickshawalas, tongawalas, stone-breakers—all these people came to me. These are the people who are undergoing the worst hardships in the cities of free India. We have to enable these people to share the new light and infuse in them new hopes for a better and richer life. Not that they would be greatly helped but by showing them a new path, perhaps, we can materially improve the condition of their life and it is just possible that they may try to change their professions because the world is changing. Many old things are gradually changing, whether we like them or not. We have also to solve the unemployment problem and have to provide equal opportunities to all.

Peace Necessary for Progress

Our society, the Government and the people, all of us have to unite together and help these down-trodden people and to assure them a new life. We are forging ahead but violence breaks out and sometimes some things are done against the minorities creating suspicion and arousing anger against them. It also disturbs our unity which, in turn, disturbs the peace in the country. We all know that if peace is disturbed our production cannot increase. Every section of the people has some problems and difficulties and as we go ahead some new difficulties crop up and we have to face them. For this we want all our strength and this strength can be conserved and utilised only when we solve each other's problems and difficulties unitedly.

When banks were nationalised some rumours were set afloat that this step was directed against a particular section of our society. I want to make it perfectly clear that we do not propose to do anything against anybody. We want that all of us should march forward together. But I want to convince the rich and the capitalists that the step that we have taken is not directed against them. It is only in the interest of the people and a measure which is in the interest of the masses is in their interest also. They should look at this step and all that has happened in the country from this point of view.

Unfinished Revolution

When Mahatma Gandhi started the freedom movement a great revolution took place in our country. But he brought about this revolution with great humility and with the co-operation of all. He emancipated the country from the clutches of a foreign power. *The revolution that took place has not ended yet because in a fast-changing world, our country and society have to keep changing constantly.*

I am pained to learn that some voices have been raised against the step that we have taken. They have laid a charge that bank nationalisation was done at the instance of some foreign power. *But I want to make it unequivocally clear that whatever steps we are taking, we are doing so at the behest of the masses and in the interest of our democracy. I know that the spirit of democracy is well entrenched in hearts of the Indian people. I am also sure that they will never do anything which may result in any harm to our country and which may compromise our Independence.*

The path we have chosen is the right path. That is the path born out of our history and culture. But why is it that, in spite of so much of progress that we have made, the minds of some people are still disturbed and they are dissatisfied. I think there has been some failing. Man wants something more than progress and development and there comes a time in his life when a revolution emerges from his heart, from the innermost recesses of his being and when he can recognise his soul more deeply and can view his surroundings more clearly. Such a time has come in the life of India today. Those accustomed to living in a closed atmosphere are worried by the blowing of this cool

and fresh breeze ; but there are also many others who are tired of the suffocation and, therefore, would get new strength and new life from this new breeze.

Twenty-two years ago India awoke in freedom from a night of darkness. My father declared on that memorable occasion that it was a tryst with destiny. We have again reached a similar turning point and the future is unfolding before us.

Standing before you I can assure you that wherever I am and whatever work I do, the paramount thing is that I will always work in your interest, in the interest of masses. In this connection I want to give you the talisman which Gandhiji had given us. He said that if you are assailed by doubts while taking a step you should always think of the lowest and the weakest. If that step is going to improve the lot of the poorest and the weakest then the step is right and proper and if you proceed on that path all your doubts will be removed. It is in this spirit that I want to go ahead.

Today we have taken a new turn. I believe that if our youth, the peasants, the labourers, whether they are in the army or in cities or in rural areas, follow this new path, they will bring about a wave of new enthusiasm and produce a new spirit of sacrifice. We should always think of the masses, of the poor people of the country. If we can raise them, we can raise ourselves. If we have strength and along with it compassion in our hearts, then we can realise the difficulties of others and we can sympathise with others ; then alone can we accomplish big tasks unitedly. I have every reason to believe that the people of India will always stand together unitedly.

Many children are sitting in front of me. They are the citizens of tomorrow and we have great hopes from them. We want them to have equal opportunities. We have to reduce the disparity between the high and the low, between the rich and the poor as well as between one section and another section of society. We have also to reduce the gap between what we are and what we want to become.

NEW ROLE OF BANKS

I SHOULD like to compliment you on the smooth manner in which you have so far handled the situation. I think this augurs well for the future since there will be many occasions on which we shall have to work together to find the correct path along which we want to take Indian banking and our credit policies and the way in which we want to serve the people of India while, at the same time, keeping to sound economics.

The custodian of each bank has been given full powers to deal with various situations and I hope that the custodians will exercise that power in expeditious disposal of work. There is no need to seek guidance from other quarters in matters in which they have full competence for decision-making.

I have heard that there is a feeling of insecurity amongst the bankers and also amongst some sections of business and industry. Frankly, I do not see the cause of this feeling of insecurity. To some extent, we are insecure. We do not know when there will be an earthquake, or typhoon or end of the world or anything. But barring such grave national disasters, there is no need for a feeling of insecurity as I made very clear in my original broadcast and later on in several speeches. We have no intention of disturbing the entire system but merely want to give it the guidance which I think has been sorely needed for some time. It is not that the banks were not functioning well. They were functioning well. But they saw things in a particular light which was a little bit removed from the needs of the country. While good economics are essential, greater production is also essential; none of it can be possible if social tension grows because it threatens everything. Social tension was growing in this country because of the disparities, because of

the sense of injustice amongst many of our people, and therefore, any move that can be made or any step which can be taken to help in easing this tension is a move for stability and security for all of us. So, I hope that you will not feel too insecure and that we shall have your full co-operation.

Not an End in Itself

Now, as I have said several times, nationalisation is not an end in itself. The objectives for which it was undertaken have already been elaborated on more than one occasion, in Parliament as well as outside. But I should like to think how these objectives can best and most speedily be fulfilled. I should like each bank to have its own plan for doing so. You are all aware that this step of nationalising fourteen major banks has raised tremendous expectations amongst our people. In fact, one has not seen such enthusiasm in the people since the day of Independence perhaps. I have lost no opportunity in telling that all their expectations cannot possibly be fulfilled but still they are bubbling over with this feeling of enthusiasm, of jubilation and while, naturally, we cannot fulfil it completely, we must do whatever we can to fulfil at least a small part of it.

The re-orientation of our credit policies is *designed to fulfil* some of these aspirations and this can be done to the extent the banks are able to mobilise additional deposits. We attach the highest importance to this task and any failure on this front will impede the banks' ability to meet the growing and competitive credit demands of a developing economy. Each bank should address itself to this task with vigour and imagination. Deposit-mobilisation will depend upon the strength of the institutional base of banking and the spread of its geographical and functional coverage. The pace of branch expansion, in particular, needs to be stepped up on the basis of a plan geared to definite time horizons.

An Opportunity and a Challenge

Nationalisation is an opportunity and a challenge to the banker to cast himself in a dynamic and innovating role. Rural banking, in particular, will require new techniques and methods of work. The attitudes of conventional and conservative banking will not be enough if banks are to foster and enlarge

the on-coming agricultural revolution, as well as benefit from the substantial incomes which it is generating in the rural areas. To mobilise rural savings, you will have to work hard to develop new services which will suit our farmers and make them save more and also to part with their savings.

On the side of lending also, new ideas will be essential. You will have to innovate in respect of security requirements. Clearly, the traditional insistence on collateral security or documents of land ownership will be self-defeating. Such methods would rule out millions of small farmers and tenants. We should in this context examine how we can forge links between the nationalised banks and the co-operative agencies on sound economic principles. The banker must become the friend, philosopher and guide of the farmer, by providing technical assistance, inputs, supervision of credit and input-use, and by simultaneously financing the development of storage and marketing facilities.

Some of our most dynamic bankers have already made it their business to conduct fertiliser trials in specific soil conditions. They have promoted new hybrid seeds, set up and financed soil testing facilities, collected and analysed economic data of farms, instituted spraying services, and encouraged actively a host of productive and revolutionary activity. In this demanding situation, no banker can be successful in agriculture, who takes merely a conventional view of banking business. Only that banker can succeed who can be more than a banker. I am confident that you will respond to this challenge.

Credit-worthiness of Purpose

I have spoken at some length about agriculture, because of the vital place it occupies in our economic development. Industrial lending, whether to the small entrepreneur or to the big industrialist, will require no less alert, and fresh an approach. The emphasis must be on credit-worthiness of purpose. Banks must be equipped to make techno-economic and financial appraisals of new schemes. They must engage themselves in up-to-date, and perspective market and planning surveys. They must adopt modern management system and techniques. In short, they must be able to judge and identify

the requirements of a dynamic economy over a broad spectrum and provide it the necessary financial and technical support.

I know that these tasks demand an expanded and professionalised management of the highest order. We should create the necessary training facilities for this purpose, based on curricula suited to our needs.

Fears have been expressed in some quarters that courtesy and efficiency will be at a discount in the nationalised banks. I sincerely hope that these fears will be belied. The bank employees who have responded so enthusiastically to nationalisation have a special responsibility to ensure that their earlier record of good service is not only maintained but improved.

BANKING WITH A PURPOSE

I HAVE been thinking of meeting the chief executives of the nationalised banks for quite some time ever since the nationalisation took place. But for one reason or the other, we had to put it off. I am glad that all of you have been able to come here today. We all know the importance of banks in national life and the banks which function in the private sector will

Address to the Custodians of the nationalised banks, New Delhi, September 30, 1969

certainly continue to be important and the country does expect valuable services from them. But those of you who are around this table happen to be vested with trust and responsibility of a very special order.

I have spoken on nationalisation on a number of occasions and I presume that you have been following what I have said; although sometimes I was also misreported. I will not really go into that aspect of nationalisation except to say that as experts you yourself must have noticed over the years the indifferent and weak points in our monetary system and the circumstances in which large parts of the country are not yet effectively served by financial agencies.

Freedom of Operation

A complaint has been voiced that with nationalisation, operations of banks may be swayed by political considerations. I do not know what these critics have in mind when they refer to political considerations. It has been noticed for some time that many of our old ideas had to change and such change would be brought about only with public ownership and control.

It is very difficult to separate politics from any other part of life. But that has been the accepted custom not only here but also, perhaps, in a country like England. Particularly, there is a phrase to which I referred to in Parliament that somebody who wants things to remain as they are, that person is considered unpolitical, though it is just as much politics, whereas a person who wants a change is supposed to be political. Now, both attitudes are equally political. One is not more political or less political than the other. Banks are too closely linked with the development of the economy to remain entirely uninfluenced by the needs of the political situation. The political situation in our country today demands that banking facilities should be extended in an increasing measure to the backward areas, to agriculture, to small-scale industry and so on, and perhaps banking operations should be informed by a larger social purpose.

But if this is what was meant by political consideration, certainly there is political consideration. But if by that phrase they mean that in their day-to-day working, those in charge of the banks might be influenced by extraneous considerations,

unrelated to public welfare or economic development, then I have no hesitation in assuring you that, as long as I am in charge, such considerations will not be allowed to interfere with your work. Within the broad framework of the policy laid down by the Government, you will have the necessary freedom and latitude to function as efficient and professional bankers, guided solely by your own conscience and the canons of the profession to which you belong. At the same time, we are aware that at least some of the bankers, perhaps among those assembled here, were subjected to extraneous influence in the past, traceable to the close links between the banks and big business. Bankers were being hampered in their day-to-day work by the interference of directors drawn from big industry and big business. Nationalisation has liberated professional bankers from these unhealthy influences, which had sometimes tended to cloud their judgment in the past.

Mobilisation of Deposits

We had in the past got into a kind of vicious circle. When I say we had to change the old ideas, I mean we had to break this type of vicious circle. In the main this involves two steps. First, the mobilisation of deposits in all parts of the country and from all sections of the people, ranging from affluent businessmen to the harassed housewife. It follows that you will not only have to open branches as quickly as possible on a very much wider scale than before in villages and small towns, but you must also continually make imaginative efforts to collect savings from all, from the well-to-do to the small earners in agriculture, industry, trade and the professions, the self-employed and the manual worker. The aggregate of deposits, which can be collected from ordinary people in relatively small places, is very much larger than the yet untapped savings available in cities and large towns. To reach these small potential depositors in hundreds of thousands is certainly hard work, but then nationalisation does involve harder work, and not greater ease, for us all.

I understand that a few days ago you have formulated proposals for branch expansion in the coming months and that further thought is being given to this matter by you and the Reserve Bank. I hope that in framing these schemes you will

follow a rational policy in co-ordination with your fellow-bankers, so that the opening of branches is not regarded as a scramble for increased prestige but as orderly service to the community which will also be a good business proposition for your own bank. The greatest attention should be paid to small towns and villages, particularly regions which by common standards are regarded as under-developed. We cannot afford to forget the elementary fact that a greater number of people live in villages and will continue to do so for quite some time. I have met some of you separately and am glad to know of services which your bank has been rendering to agricultural sector as well as small man in the urban areas.

Dealing With the Villagers

One of you pointed out to me this morning—and it is an excellent idea—that in dealing with the villagers, one has to keep the human point of view before oneself, that is, in order that they are not frightened, but they are encouraged, you have to evolve some methods. That is, of course, for you to see and decide how to do it. Sometimes the filling up of large forms and the manner in which we talk to the people frighten them and can frighten certain sections of the people. We have to have special methods of dealing with this class. Some have mentioned to me that this may even require additional hours of working. That is if there are two banks, one may work on a slightly different schedule, so that people who are working in the fields and cannot come at particular hours may not be denied banking facilities.

I am only doing loud thinking. But this is for you who have experience to chalk out these things. I am only mentioning them here to give an indication of the social need to get out of set ways of thinking and working. Any country which goes ahead in today's world is constantly renovating its methods, its ideas and its ways of working. And I think that has been the greatest lacuna in our life. Not only we have not done this while we have gone ahead in many areas, it has not had the effect which it could have if the other things had happened simultaneously.

Obviously, there is much new ground to be broken in the matter of maximum deposit-mobilisation. There are also glaring

disparities in aggregate deposits as between comparable States and comparable districts. It should not be beyond your enterprise and acumen to jointly, and individually, rectify this position.

Need for a New Lending Policy

Lending should not be taken up as a separate operation only after deposits start flowing in handsome measure. Deposit-mobilisation and lending must go together. In many under-developed areas, lending will deliberately have to be made the first step, in the expectation that the collection of deposits will follow in due course. The number of borrowal accounts declined from 11.26 lakhs to 10.56 lakhs in the two years from March 1965 to March 1967. At a time when the number of unemployed is fast rising, the total money supply in the country is widening, the aggregate of bank deposits is growing, though not correspondingly, and one hears of the small man borrowing from the unorganised sector at an interest of 20 per cent or above, this decline in the number of borrowal accounts of banks is a matter for serious concern. It suggests that the use of institutional money, which is basically the community's property, tends to be concentrated in fewer hands. According to all principles of social advance, the use should have been diffused more widely.

I know that some of you have been preparing schemes for lending to all productive enterprises, however humble these may be and however small their financial needs may be. It is not enough for your branch managers to have these schemes and be ready to lend in accordance with them. It is necessary to give the widest publicity to these schemes in the manner appropriate to the community where they work. This aspect deserves the maximum and the most urgent attention. Here again, publicity itself will have to be different according to the section of the people or the area of the country.

It is also most important that the State and Union Territory Governments should have a good idea of the ways in which you are trying to serve the people under their administrative care. Some of the Governments are under the impression that the banks collect a great deal more money in their areas than is lent there. To the extent that this impression is factually correct, action has to be taken without delay to rectify the position. And to the

extent the impression is erroneous, it is desirable to explain the true facts.

No False Hopes

We should not raise false hopes of the people or give them false promises which cannot be fulfilled but we should see that help is given in the right direction. I know the Indian people well enough to be confident that as long as they feel that we are going in the right direction, even if we are slow, they are with us. It is only when they feel that we are definitely going in a direction which is not to their advantage or which is favouring some men or others that they look to other methods. Therefore, our effort must be all the time to see what the needs are and if the situation is a changing one, how far we can change our methods and even our aims to some extent. It is a mental attitude to which I am referring.

I hope that in one year you will be able to tell the country, through the different media available, how much you have widened the spread of your lending to how many more people, particularly in the lower income brackets, who are engaged in the production of goods and services of diverse useful kinds, how you have been able to assist and how much extra gainful employment you have generated. As your managers have more experience of handling small accounts, your schemes should be suitably revised. Government officers are working out plans to organise a simple but wide-ranging system of guarantees or comparable facilities for small lending by banks in fields which have remained relatively neglected so far, such as retail trade, small business, minor repair industries, small farming and the self-employed sector. The broad objective is to see that your managers shed unreasonable fears of penalisation and feel encouraged to expand lending to the small man. We shall welcome concrete suggestions from you.

Council for Co-ordination

I am glad to know that you are thinking of forming a council for the co-ordination of work, the pooling of ideas and checking the nature and quality of activity. You will have the advice and assistance of the Reserve Bank and the Government in all constructive ways. If administered well, the

council will provide a forum for devising methods of joint or at least concerted action on many fronts—for example, formulating a broad-based drive to accentuate saving-consciousness in all classes of people; checking with one another in what respect and in what parts of the country the needs of productive enterprises, ranging from the very small to the large ones, are not being met satisfactorily and what should be done to rectify the situation; how you can pool information about prudent lending; improvement of recruitment and training programmes and, where possible, share the burden of expenditure, reduce administrative costs without impairment of efficiency. You must consider to what extent your forms and requirements can conform to a common pattern and the productivity and profitability of your own banks increased, how the quality of your service can be improved, and so on. Competition can encourage if it is not socially unproductive. You should avoid measures which might cause undeserved injury to smaller banks and those co-operative banks which are doing good work in their own fields. In our vast country there is room enough for all to function.

The top managements of the nationalised banks must attempt to maintain good relations with their workers and staff and to induce their co-operation. Unfortunately, the management-labour relations in banking have often been unsatisfactory.

The scheme contemplated in Section 13 of the Banking Companies (Acquisition and Transfer of Undertakings) Act is under preparation. Government officials are consulting the Reserve Bank and the chief executives of nationalised banks. Whatever constructive suggestions you may make will be taken into consideration. Government is also examining how to give a fair share of the work relating to Government treasuries and allied matters and of the accounts of public sector enterprises to the fourteen nationalised banks.

In the weeks immediately following July 19, it was rumoured in some circles that the nationalisation of the fourteen banks would lead to the choking off of loans to large productive enterprises. Nothing could be farther from the truth and I am sure that you know this. The production of goods and services useful to the community must expand fast. Otherwise, grave distortions arise in the economy leading to rampant unemployment.

You should have no hesitation in assisting all genuine productive enterprises of medium and large size. However, please do remember that in India bank finance has not always been measured by lenders against actual production needs and there has not been any effective check on the end-use of bank money. Naturally, you should be more alert in this sphere so that very big enterprises or houses do not get larger assistance than is actually warranted in terms of the needs of production and distribution. The Reserve Bank should be able to advise you in detail in this matter.

Need for Vigilance

Similarly, in lending against shares and commodities, you would be well-advised to be vigilant so that allegations of the cornering of shares or of goods in short supply for unsocial purposes with bank money do not arise. The devices to ensure this are matters of detail which, for the present, you yourselves, with the advice of the Reserve Bank, should be able to work out.

Most of the term-financing institutions working in the fields of industry and agriculture are in the public sector. Now that fourteen of you are also in it, there is greater opportunity than before to co-ordinate your actions and attitudes with term-financing bodies, particularly at the State level, so that the short-term and long-term needs of development are adequately taken care of. As I have mentioned earlier, it would be useful for you to be actively in touch with the State and Union Territory Governments so that the Governments do not remain in ignorance of what you can do and what you cannot, and they may so trim and adapt their expectations as to get the best out of the monetary system for the good of the public without the nationalised banks having to depart from sound canons of prudent financing. Incidentally, this might mean your subjecting governmental projects to constructive but careful scrutiny, advising the Governments what particular precautions they should take in their own and the public's interest and your discontinuing the hitherto frequent practice of leaning heavily on Government guarantees.

You are aware of the current tensions in the minds of the rising generation and the main causes of these. A malaise we must correct is the complaint of neglect and incomprehension

which the student community appears to harbour against established authority. It is good to learn that some of you have schemes for financial assistance to students in need. These schemes deserve wide publicity. Those like you who have knowledge and experience of business, industry and the monetary system can also usefully establish closer touch with the student community. Perhaps you and your senior officials could occasionally arrange meetings with young people and also with other sections of the public.

I am glad to know that some of you are trying to use Hindi and regional languages in your contacts with your customers and public. I think it is necessary to evolve some positive attitude to the language problem over which there are strong feelings in the country.

I should like to assure you that the Government has no pre-conceived intention of forcible amalgamation of one nationalised bank with another, or of upsetting the management of any bank which does its best to achieve well-known objectives. If structural changes in banks are felt to be necessary in the light of working experience, wherever possible, these should come about through consultation and co-ordination.

The fear was expressed to me by some smaller banks whether their voice would be heard equally along with the bigger banks. I am sure that this will be done.

The misunderstanding which arose in some uninformed circles after nationalisation is settling down. I am sure that soon it will disappear altogether. The nationalised banks, the Reserve Bank and the Central Government will, however, be judged by the country mainly by the quality and depth of the endeavour they make towards ensuring social and economic justice. I need hardly tell you that our joint objective is that bankers should become uniformly acceptable as wise counsellors and friends of the community as a whole and not merely as associates of particular sections of society.

10
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R.F.
103

PC
80