

RAJYA SABHA

***SUPPLEMENT TO SYNOPSIS OF DEBATE**

(Proceedings other than Questions and Answers)

Wednesday, March 26, 2025/ Chaitra 5, 1947 (Saka)

GOVERNMENT BILL

The Banking Laws (Amendment) Bill, 2024 – *Contd.*

SHRI MAHENDRA BHATT: The main objective of amendments is that what should be added according to time, period and presentation, so that we can provide good facilities to the customers, make good investments and with these sentiments these amendments were made again and again. Cooperative banks have become very important today. Their activities in the country, the work done by them are presenting an example in front of the public today. In 1983, more powers were given to the Reserve Bank of India by making amendments again. In 1993, transparency and accountability were emphasized in the banking sector. In the year 2004, stability in the banking sector was emphasized by amendments. In 2017, provisions related to insolvency and bankruptcy were made in this bill. In 2020, all the cooperative banks of the country were linked to RBI with this amendment. At present, 22 private sector banks, 44 foreign banks, 1,485 cooperative banks and about 96,000 rural cooperative banks have been linked under this. For regular reporting by banks to RBI, it was deemed necessary that the report of 15th of every month be submitted by 20th of the same month and the report of the last day of the month be submitted by 5th of the next month. Under Section 15, the Act has extensively mentioned substantial interest. Under this amendment, the definition of “substantial interest” has been increased from Rs 5 lakh or 10 per cent of the paid-up capital as mentioned earlier to Rs 2 crore or 10 per cent of the paid-up capital. Section 20 of the Act states that banking companies are prohibited from granting loans or advances to companies or institutions in which a Director has a substantial interest. Similarly, Section 10 mandates that at least 51 per cent of the board members should have substantial interest or independent relationship with the bank as employees, managers or managing agents. The third important amendment was much needed for the cooperative banks, especially from the point of view of cooperative banks, the need to bring this amendment was felt. Under Section 10A of the Banking Act, the tenure of all except the Chairman and full-time director was fixed at 8 years, while the Chairman and full-time Director could hold their post for 10 years. Now this tenure has been increased to 10 years. The fourth amendment is also very important from the point of view of cooperative banks. Section 16 of the Act prevents individuals from being nominated to the board of more than one banking company. When the nominee died prematurely during the Corona period, the capital deposited in the bank accounts lapsed.

*This Synopsis is not an authoritative record of the proceedings of the Rajya Sabha.

Now in the new amendment, permission has been given to register four nominees, which will make it easier for the families to get their money and the legal process will also be simplified. Section 35A will ensure that unclaimed shares, interest or bonds, redemption amount can also be transferred to the Investor Education and Protection Fund. Earlier this provision was not there, now it has been implemented. It enhances the protection of investors. The appointment of statutory auditors for public sector banks was approved by the Reserve Bank of India (RBI). Its remuneration was given by RBI in consultation with the Central Government. Now after the amendment, the remuneration of auditors will be determined by the public sector banks themselves. When the opposition gives suggestions, the manner in which those suggestions can be implemented in the interest of the country is mentioned every time in the budget. I am confident that in the coming days we will see improvements in the established banking systems with increased momentum.

SHRI RAMJI: The challenges are also increasing with the increasing use of technology in banking. This involves digital theft, fake applications or OTPs through which people's earning goes into fake accounts and from there it is transferred to multiple accounts. The Government should take cognizance and also investigate the opening of fake accounts in banks. The Government has set up police stations for cyber crime but the people working there have no knowledge of IT. Due to various natural disasters, the crops of farmers get destroyed. Due to this, the farmer is unable to repay the bank loan. In such cases, banks should waive their loans only after verification. I request the Government to also give 'Krishi Mazdoor Samman Nidhi' to agricultural labourers. Poor children of SC/ST/OBC category are unable to take admission. The Government should make a provision in the banks for those children that they should get compulsory loan with at least at zero fees. I also want to draw the attention of the Government towards the Old Pension Scheme (OPS) because employees across the country are repeatedly demanding for it.

SHRI MASTHAN RAO YADAV BEEDHA: The first Amendment addresses the issue of rising unclaimed deposits, which have surged by 26 per cent to Rs.78,000 crores, as highlighted by a recent RBI report. The second Amendment focuses on enhancing investor protection by mandating the transfer of unclaimed dividends and shares. The third Amendment extends the tenure of directors in cooperative banks from eight years to ten years. This measure aligns with efforts in Andhra Pradesh to enhance the functioning of cooperative societies. The synchronized governance of this 'double engine sarkar' ensures that the vision of Swarna Andhra 2047 – a State where people are happy, healthy and wealthy – contributes meaningfully to the larger goal of a Viksit Bharat. This Bill is yet another step towards robust governance, stronger financial systems and empowered citizens. I stand in full support of these reforms that pave the way for a brighter and more secure future for all.

SHRI RAVI CHANDRA VADDIRAJU: This Bill is an important step towards modernizing our banking system and further strengthening the regulatory framework. In section 5 of the Banking Regulation Act, the limit of Substantial Interest has been increased from 25 lakh to 22 crore. By updating this definition, the Bill ensures that the regulatory framework remains relevant and effective in today's context. Extending the tenure of directors from eight to ten years under Section 10A of the Act further strengthen the Co-operative Banking System. Enhancement of Nomination Clauses will help in resolution of the nominee issues. The unclaimed funds are transferable to the Investor Education and Protection Fund. With the proliferation of digital banking, cyber attacks have become rampant. Interactive Voice Response (IVR) system to prioritize cases of financial fraud. This

♦ Spoke in Telugu.

system ensures that urgent cases are attended to promptly. Banks should adopt modern cyber security systems and build systems based on AI and machine learning. MSMEs need to further simplify lending, lower lending rates and faster lending processes in public sector banks. There should be more focus on digital literacy and people in rural areas should be educated about banking.

SHRI SANJAY KUMAR JHA: Before 2014, phone banking was in vogue, loans were available over the phone, this was available only to rich people. I was looking at the past records that when the Bank Board Bureau was formed, banks were given Rs 3,10,000 crore so that they could come out of the financial crisis. This had a tremendous impact. I think banks have recovered more than Rs 10 lakh crore since 2014. The bad loan ratio of the banking sector has now reached a minimum level of 2.7 percent, which is the lowest since 2011. Banks have made a profit of more than Rs 3 lakh crore in the financial year 2023-24. I used to see in the villages that people used to take loans from moneylenders at very high interest rates. When the banking system reached the villages, I saw that more than 54 crore bank accounts have been opened under the Pradhan Mantri Jan Dhan Yojana. To strengthen the agriculture sector, there has been a loan increase of 2.5 percent under the Kisan Credit Card Scheme. More than worth Rs 30 lakh crore loans have been distributed under the Pradhan Mantri Mudra Yojana. More than 67 lakh street vendors have been provided loans under the Pradhan Mantri Swanidhi Yojana. Similarly, accidental insurance has been given to 47 crore beneficiaries under the Pradhan Mantri Suraksha Bima Yojana. More than 21 crore beneficiaries have received life insurance cover of Rs 2 lakh under the Pradhan Mantri Jeevan Jyoti Bima Yojana. When farmers sell vegetables, grains etc., money is transferred to their account. The total volume of digital transactions has increased by 44 percent in the financial year 2017-18. Both UPI and RuPay are rapidly spreading globally. Today the Indian banking sector has not only become strong but has also become a symbol of social change. Bank credit growth has reached the highest level of 60 percent. Banks have disbursed loans worth more than Rs 5 lakh crore. For the first time, people have got the facility of loans at low interest rates. Therefore, I support this Bill.

THE MINISTER OF FINANCE; AND THE MINISTER OF CORPORATE AFFAIRS (SHRIMATI NIRMALA SITHARAMAN), replying to the debate, said: I am indeed grateful that 24 Members of this House have participated in this debate. I would like to start from saying that in 2023-24 Budget, I had mentioned that to improve bank governance and enhance investors' protection, certain amendments to the Banking Regulation Act, the Banking Companies (Acquisition and Transfer of Undertaking) Act and the Reserve Bank of India Act are proposed. This particular Banking Laws (Amendment) Bill, will have an impact on five different Acts - the Reserve Bank of India Act, 1934, Banking Regulation Act, 1949, State Bank of India Act, 1955, the Banking Companies (Acquisition and Transfer of Undertaking) Act of 1970, and the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1978. From 2014, when our banks were under severe and excessive stress built up over several years, particularly, on the loan portfolios, they had reached a situation of crisis and our economy anyway had reached the fragile five position. So, in order to address the major banking crisis related matters, reforms were undertaken. We implemented the Enhanced Access and Service Excellence -- EASE. We enacted the Insolvency and Bankruptcy Code in 2016. We set up the National Asset Reconstruction Company, and then we also undertook amalgamation of public sector banks. The outcomes are really there for all of us to see. The gross NPAs of Scheduled Commercial Banks were at a multi-year low of 2.5 per cent in September, 2024. CRAR, of 16.7 per cent was also achieved in September, 2024. And, it is well above the regulatory minimum level. Public sector banks have also recorded the highest ever net profit of Rs.1.41 lakh crores in the previous financial year.

We've seen that our public sector banks have achieved their highest-ever net profit of ₹1.41 lakh crores in the last year, and I am confident that they will continue to reach even greater heights this coming year. Despite the significant reduction in Non-Performing Assets (NPAs), this government remains absolutely committed to taking stringent recovery action against wilful defaulters. There has been talk about wilful defaulters and economic offenders leaving the country, and I want to be clear that write-offs by banks do not mean a waiver of liabilities for these borrowers. It does not benefit them in any way. This is a point we have repeatedly emphasized.

Unlike the previous Congress government's so-called '*rinn maafi*' or loan waiver in 2008, which we were told helped them win elections, but in reality, left many farmers uncertain about whether they actually received the waiver and if they were then eligible for new loans. Their '*notorious*' '*rinn maafi*' was ineffective. They made big promises but didn't deliver on the ground, and when they did, it was often plagued by corruption, with benefits going to non-existent individuals while those who deserved help missed out. In contrast, Prime Minister Modi's approach is to directly put ₹2000 every four months, or ₹6000 annually, into the accounts of small farmers through transparent Direct Benefit Transfer (DBT). This actually helps them.

Regarding those who say that big borrowers are allowed to flee with public money while small people are harassed, this is not the case. We are periodically instructing banks and NBFCs, through the Reserve Bank of India, not to harass small individuals, while still following up on dues appropriately. Furthermore, the Enforcement Directorate has successfully restored properties valued at approximately ₹22,280 crores to victims or legitimate claimants, with the court's permission, taken from those accused of these offences. So, people's money and properties are being returned. This significant work needs to be recognized.

Our efforts extend beyond just recovery. We have significantly deepened financial inclusion, taking banking to the last citizen. Fifty-five crore Jan Dhan accounts have been opened, with over 55 per cent held by women and 66 per cent in rural or semi-urban areas. The 'Global Partnership for Financial Inclusion' noted in their 2023 report that India has achieved over 80 per cent bank account penetration by leveraging Digital Public Infrastructure (DPI), a feat that would have taken an estimated 47 years through traditional methods. While the nationalization of banks had the intention of reaching the poorest, the results achieved through DPI in the last 10 years have been far more impactful.

Our focus has been on 'funding the unfunded' and 'securing the unsecured'. Under the PM SVANidhi scheme, 68 lakh street vendors have been supported, with over 94 lakh loan accounts sanctioned across three tranches. Additionally, 50 crore loan accounts have been sanctioned under the PM Mudra Yojana, providing unsecured loans guaranteed by the Government. To secure the unsecured, we have seen over 47 crore enrolments for accident insurance under the PM Suraksha Bima Yojana, over 21.67 crore enrolments for life insurance under the PM Jeevan Jyoti Bima Yojana, and over seven crore subscribers for the Atal Pension Yojana.

This Bill we are discussing will impact five different Acts, and it addresses eight key themes. One of these themes involves changing the bank reporting system from every Friday to the last day of the fortnight, month, or quarter, to improve accuracy and effectiveness. This amendment will affect five different Sections of two different Acts. Another theme is the redefinition of 'substantial interest.' Currently, it's either ₹5 lakh or 10 per cent of the paid-up capital. We are retaining the 10 per cent, but enhancing the ₹5 lakh limit, which hasn't been updated since 1968, to ₹2 crores. The third theme concerns the tenure of Directors in cooperative banks, excluding the Chairman and whole-time Directors. While

commercial banks retain an eight-year tenure, we are aligning the cooperative banks' director tenure with the constitutional provision of 10 years (a first five-year term followed by another five-year term), as the current five-year limit denies them what the Constitution provides. Finally, regarding cooperative banks, the RBI's existing rule generally prevents individuals from holding more than one directorship. However, the RBI can exceptionally appoint individuals as Directors to multiple banks.

In cooperative banks, the same rule as regular banks applies - one can be in only one place at a time. However, since the cooperative movement involves progressive elections, an amendment allows multiple positions in line with its structure. A key change concerns nominees. To streamline claims, simultaneous nomination will be allowed for cash and FDs, while lockers and safe custody items will have a single nominee. This aligns with insurance policy norms. Another amendment corrects an omission in the 2020 Banking Amendment Act by defining 'Deposit Insurance Corporation' and 'Managing Director.' Additionally, unclaimed shares, bond redemptions, and interest amounts will now be transferred to the Investor Education and Protection Fund (IEPF). On willful defaulters, as of January 29, 2025, the Directorate of Enforcement has handled 912 bank fraud cases, freezing ₹44,204 crore in assets, restituting ₹22,276 crore, and arresting 144 individuals. Under the Fugitive Economic Offenders Act, nine individuals have been declared offenders, and ₹749.83 crore in assets confiscated. Loan write-offs do not absolve borrowers of repayment. Banks continue recovery through courts, SARFAESI, NCLT, settlements, or asset sales. Write-offs help manage resources while ensuring recoveries. Public sector banks have improved significantly, with gross NPAs dropping from 14.58% in March 2018 to 2.85% in December 2024. Capital adequacy rose from 11.66% to 14.84%. PSBs posted record net profits of ₹1.41 lakh crore in 2023-24 and ₹1.30 lakh crore by December 2024. Gold loan NPAs rose 18% between March and June 2024 but remain low at 0.22% for public banks and 2.58% for NBFCs. RBI and the Government have enforced measures for valuation, LTV compliance and recovery actions, including gold auctions.

As part of regulatory compliance, Public Sector Banks were required to conduct a comprehensive audit of their gold loan portfolios, and fortunately, no major lapses were reported. On the issue of penalty charges for non-maintenance of minimum balance, it has been reiterated that Pradhan Mantri Jan Dhan Yojana accounts do not require a minimum balance, and therefore, no penalties are charged on the 55 crore such accounts. A concern was raised about the proposed nomination system in banking, which some find confusing. Currently, the Banking Regulation Act permits only one nominee for depositors' money, safe custody articles, and safety lockers, which has led to legal complications when both the nominee and the account holder pass away. To address these challenges, an amendment has been introduced to allow successive or simultaneous nominations for deposits, while safe custody articles and lockers will have only successive nominations to ensure clarity and ease for legal heirs. On Priority Sector Lending (PSL), a shortfall means that banks are fulfilling their PSL obligations. If they fall short, the funds are directed to NABARD or SIDBI, but if banks meet their 40% PSL target, the redirected amount naturally decreases.

Regarding grievance redressal, there is a multi-layered mechanism in place, including the CPGRAMS portal, which mandates grievance resolution within 21 days, with an appeal process extending up to 30 days. The RBI has further streamlined this process through the Integrated Ombudsman Scheme, combining multiple financial grievance redressal systems into one. Honorable members also raised concerns about banking infrastructure in rural areas. While some observations, such as the number of functional fans or whitewashed walls in banks, were amusing, the broader issue of rural banking accessibility remains important. The banking network has expanded significantly, with

1,65,501 scheduled commercial bank branches as of September 2024. Of these, 55,372 branches are in rural areas, ensuring that 99.88% of the 6,01,328 mapped inhabited villages have a banking touchpoint within a five-kilometer radius.

Cybersecurity was another critical concern. The Indian Cyber Crime Coordination Centre (I4C), under the Ministry of Home Affairs, plays a central role in tackling cyber crimes, including financial fraud. The Cyber Fraud Mitigation Centre collaborates with banks, payment intermediaries, telecom providers, and law enforcement agencies to strengthen financial security. Let me know if you'd like any refinements therein.

The National Cybercrime Helpline 1930 operational 24x7 across all States and Union Territories has been established to ensure immediate reporting and redressal of financial cybercrimes. There is a Chakshu facility on Sanchar Saathi Portal which empowers citizens to report fraudulent communication. The Bill includes amendments to multiple banking legislations. Instead of going one by one to all these Acts, we are doing it in one go because the intent and the objectives across the board are common. All of these in one Bill ensures consistency, avoids duplication. Since 1992, when five-year bipartite agreements started, this time agreement has been signed within 14 months. In respect of increase in salary and allowances for serving employees of banks, there will be an overall increase of 17 per cent in salary and allowances. For pensioners, monthly ex gratia payment has been considered in addition to pension. The pre-1986 ex gratia payment to retirees and their families has been increased. These have now been increased to Rs.10,000 per month. So, you are getting Rs. 10,000. That is for pre-1986 retirees, and spouses of those people who had served the banks. Total additional cost is Rs. 4.73 crore per annum. Second point is, 100 per cent DA neutralization to pre-2002 retirees and ex gratia. DA neutralization is being offered. It is implemented since October, 2023. Then, there is option to resignees, which was earlier not taken up for people, who were otherwise eligible to join pension scheme. This will benefit approximately 3,198 persons. That is also achieved. So, IBA has done this work keeping in mind the bank employees, their families, pensioners and retirees. The last point about creation of and increasing the Chief General Manager positions in Nationalized Banks. We have taken a step which will enable banks to have better control and supervision, improved asset management and operational efficiency. With this revision, the number of CGM posts in all the 11 Nationalized Banks has been increased from 80 to 144. The number of GM posts has also been revised from 440 to 576; the number of DGM posts are increased from 1,320 to 1,728; and, the number of AGM posts are increased from 3,960 to 5,184. So, I want to underline the point that a total of 1,832 posts have been created in the positions.

We have created 3.94 lakh of jobs since 2014. 3.94 lakh of jobs only in public sector banks! They are of different cadres and different levels. I have rounded up the figures, but it is 3.94 lakh jobs since 2014.

The motion for consideration of the Bill was adopted.

Clauses etc., as amended, were adopted.

The Bill, as amended, was passed.

P. C. MODY,
Secretary-General.

rssynop@sansad.nic.in