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Title : Regarding high volatility in Mumbai Stock Market.

13.01 hrs. SUBMISSION BY MEMBER

Re : High Volatility in Mumbai Stock Market

SHRI GURUDAS DASGUPTA (PANSKURA): While I was a Member of the other House in 1991-92, I raised this matter on the floor of the House when Dr. Manmohan Singh was the Finance Minister of India. Today, I am raising this issue again when Dr. Manmohan Singh is the Prime Minister of India. The House will join me. This is regarding the super hyper volatility in the Bombay Stock Market. Nowadays, it has reached 7,797 points. In one day – in one single day – the Bombay Stock Market has registered an increase of 537 points. Why I am raising this issue again is because this 'Bull Drive' or 'Bull Run' may ultimately lead to bursting of the bubble and crores of small investors may be the losers. That is the reason why I am raising it. When Bombay was in flood, the Bombay Stock Market was in an upbeat mood. While the Bombay High – the biggest platform of oil – was in flame, the similar was the condition of the Bombay Stock Market. Earlier whenever there was a disaster...*(Interruptions)*

MR. SPEAKER: Hon. Member please listen. I will not allow that you should walk between the Chair and the Member-speaking. These are matters which should be taken note of.

SHRI GURUDAS DASGUPTA : Whenever there was a natural disaster, impact was there on the stock market. Even during Tsunami, on the day after Tsunami, the Market had opened, there was an increase by more than 100 points in the Bombay Stock Market. Therefore, the question is, Sir, why this senseless Sensex has gone mad in the country...*(Interruptions)*

MR. SPEAKER: I do not know whether it is bad or good.

SHRI GURUDAS DASGUPTA : My point is this. This Sensex has nothing to do with the economic fundamentals. The senseless Sensex has nothing to do with the economic performance. It is going on. Even the Prime Minister on the other day has made a statement that the agriculture has declined to 1.5 per cent...*(Interruptions)*

MR. SPEAKER: All right.

SHRI GURUDAS DASGUPTA : Even the Planning Commission says that the growth rate – the anticipated growth rate – may not be reached...*(Interruptions)*

MR. SPEAKER: It has nothing to do with it.

SHRI GURUDAS DASGUPTA : Due to this unsatisfactory performance of the economy, there is a 'Bull Run'. Why is it so? I have the answer. The reason is that the SEBI has not introduced or enforced the delivery-based transactions which means speculators are being allowed to build up their positions in derivatives. The 'Bull Run' may prove to be disastrous for the country. The financial ...*(Interruptions)*

MR. SPEAKER: I do not know that you have so much updated with the stock market! It is good.

SHRI GURUDAS DASGUPTA : I am having a little lesson from you...*(Interruptions)*[\[R25\]](#)

SHRI GURUDAS DASGUPTA : Sir, the important point is – just see the situation in the country – for five days in August, there was an inflow of FII, that is, hot money to the extent of half a billion.

MR. SPEAKER: That shows our country's strength.

SHRI GURUDAS DASGUPTA : In one day the inflow was Rs.520 million. Just compare it with the Foreign Direct Investment, which is needed for the country. In one yearâ€¦

MR. SPEAKER: What impression have you got?

SHRI GURUDAS DASGUPTA : We are always for Foreign Direct Investmentâ€¦

MR. SPEAKER: Without strings.

SHRI GURUDAS DASGUPTA : â€¦if it is for productive sector and not for the retail trade, for which my hon. friend may be making a

case in this House later on.

Therefore, while Foreign Direct Investment in one year has increased by Rs.1,782 crore, in five days, there has been an increase in hot money which can just go away within half a minute. The hot money has increased within five days to half a billion. Therefore, why is it being allowed? SEBI is not enforcing the rules and the Government of India is sleeping because they are earning revenue. There is a transaction tax – very small it is. It is sleeping over the dangerous development in the stock market of India because the Government is earning revenue, maybe to the extent of Rs.2,000 crore.

MR. SPEAKER: You have got the benefit of the hon. Finance Minister on this issue.

SHRI GURUDAS DASGUPTA : Secondly, this is being deliberately allowed by the Government to give a false impression about the performance of India so that we are able to mobilise more funds for the foreign reserve. I call upon the Government to ask SEBI to immediately introduce and enforce delivery-based transaction in the stock market in this country. I would request the Finance Ministry to take stock of the situation, otherwise, the bubble may burst and crores of Indian small investors may be the losers and the speculators and bulls may gain. The Government of India should take a serious note of the situation in the Bombay Stock Market.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Sir, with great respect to my learned friend, I do not accept these alarmist predictions. Today, the Indian stock market is one of the best regulated markets. That does not mean that there is no scope for improvement.

I have had a long talk with the Chairman, SEBI only this morning. Both SEBI and the Government are carefully watching the stock market. It is one of the best regulated markets. Of course, opinions can differ about FDI or FII or the nature of the investment. But I reject the argument that a bubble is building or that SEBI is not doing its duty or that the Government is sleeping. I reject those arguments, even while I respect my learned friend's right to express his views.

But I reject the argument that the Government is sleeping or that the SEBI is not doing its duty...*(Interruptions)*

MR. SPEAKER: And about his knowledge of Stock Exchange!

SHRI GURUDAS DASGUPTA : Sir, the Sensex is reaching the 8000 mark. Is the hon. Minister concerned about the super hyper volatility or not?

MR. SPEAKER: Please take your seat. This is not a Question-Answer session.

...*(Interruptions)*

MR. SPEAKER: No please, nothing more.

...*(Interruptions)*

SHRI GURUDAS DASGUPTA : Sir, I totally refuse to accept the statement of complacency of the Minister of Finance of this country.

MR. SPEAKER: Very well, you go on rejecting each other.

...*(Interruptions)*

SHRI GURUDAS DASGUPTA : It is absolute complacency...*(Interruptions)*

MR. SPEAKER: He has denied that.

...*(Interruptions)*