

report and there is an attempt on the part of the Treasury Benches to dilute this report.

MR. SPEAKER: What is this, Mr. Jena? You are the Whip of your party. I expect some cooperation from you. Yes, Atal Bihari Ji, please...

*[Interruption]*

*[Translation]*

MR. SPEAKER: You may please sit down. I have heard your. If you want to express your views on a certain issue, you would be given time for that. But you are raising irrelevant point by digressing from the main point. You are giving an impression in the House and outside that you have not taken this Report seriously. We should not give such an impression.

*[English]*

*(Interruption)*

MR. SPEAKER: What is this, Mr. Jena? You are the Whip of your party. I expect some cooperation from you. Yes, Atal Bihari Ji, please...

*(Interruptions)*

SHRI SHRIKANT JENA: If there are many remarks on the JPC Report, will that be included in the proceedings?

*[English]*

MR. SPEAKER: You are the Whip of your party. You should know the procedure which is to be followed in this respect. In every respect you cannot expect me to teach you. Please sit down now...

*[Interruptions]*

MR. SPEAKER: This is going beyond a certain limit.

SHRI SRIKANTA JENA: Are we to discuss the functioning of the JPC or not? I want to know whether any comments can be made on the JPC or not?

MR. SPEAKER: You should know it. I am not expected to teach you everything.

11.14 hrs.

#### DISCUSSION UNDER RULE 193

#### **Report of the Joint Committee to Enquire into irregularities in Securities and Banking Transactions**

*[Translation]*

SHRI ATAL BIHARI VAJPAYEE (Lucknow) : Mr. Speaker, Sir, I rise to initiate a discussion under Rule 193 on the Report laid on the table of the House on the 21 December, 1993 by the J.P.C. that was constituted to inquire into the irregularities in securities and banking transactions. It would have been better if the discussion had been allowed under Rule 184. Under this rule, it is provided that after the debate is over, the House can also give its opinion. Now I will have to wait for some other opportunity for that. However, I want to utilise the present opportunity in the best way.

Sir, this report has been presented by the committee consisting of 30 members of both the House of Parliament belonging to different political parties after putting a hard labour for 16 months. As I said earlier, it is a historic document. Members of divergent views were in the committee. There were members of ruling party as well as opposition parties. The committee had to inquire into the security scandal and discuss the

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points on various ministries. The committee had to consider the points related to concerned Boards and Corporations also. In a way, the whole Government was prepared to face the investigation in connection with the said security scandal. There are difference in Joint Select Committees. In such reports, note of dissent is a common thing. But here, a new story has been written and a new chapter has been added. All members of this committee have finalised a consensus report in order to strengthening the parliamentary convention. It is in itself an important event and I call it an achievement.

Sir, by presenting such reports, the Joint Select Committee, which is an important institution of the Parliament, has regained its steel and glory. It had lost its glory when such a committee was constituted to investigate the Bofors issue. The opposition had refused to participate in it. That committee, under the chairmanship of Shri Shankranandji, had submitted a report. It was just an eye-wash. This institution of Parliament received a severe blow at that time. I am glad that this report is a concrete step in resurrecting the prestige of this Parliamentary institution. This Report will boost the image of Parliament. It will strengthen democracy and authority of the committee. It will also improve the reputation of Members of Parliament.

Mr. Speaker, Sir, I am hopeful and confident that the way this committee succeeded in arriving at a consensus despite members belonging to the different political parties, similarly consensus on some important issue would also be arrived at during the course of discussion. This securities scandal is one of the biggest scandals that the century has so far come across. If it could shake this House, this Parliament and the

country and awaken us towards our responsibility, we can expect, some good sign for the country's future even from this scandal.

11.17 hrs:

[MR. DEPUTY SPEAKER *in the chair*]

Mr. Deputy Speaker, Sir, first of all, I would like to congratulate the chairman of the committee, Shri Ram Niwas Mirdha and other members for their hard labour and devotion to duty, but it does not mean that I am fully satisfied with the Committee Report. It is also not that I fully agree with the issue of serious disputes left out by the committee for arriving at a consensus. There are many omissions and commissions in the Report which are mainly related to the institution of the committee. Could a Parliamentary Joint Select Committee act as an effective device to examine such a complicated and delicate issue in which Ministers, Ministries, the Reserve Bank, Public undertakings, Banks, Nationalised Banks as well as Foreign Banks are involved on and recommend punitive action after conducting enquiry into failure of concerned agencies.

As I have said earlier, the Report submitted by the Committee is a unanimous report. I also thank the Members of the Committee for this report this report. But Parliament will have to consider this issue because we would not like that such a scandal secure in failure. I am not ready to underestimate the capability of all of us to commit scandal. God forbid if a new scandal is reported, how will it be inquired into? The experience of this committee should be born in everybody's mind.

Mr. Deputy Speaker, Sir, a committee is set up when the House constitutes a Committee, it is not decided where the chairman will sit. Nobody knows where the

staff will come from? Staff is arranged by picking up a few persons from here and there. I know that there is no shortcoming of staff. The staff has no doubt, done a commendable job. The staff and the officers working in all these Parliamentary committees are honest and devoted to their work. I am not concerned about that. But such type of committees have their own limits as sometimes CBI may not cooperate or any witness may refuse to divulge the whole thing. However, despite all these difficulties, this committee has done its jobs.

Mr. Deputy Speaker, Sir, during my parliamentary career of thirty years, I have raised issues on reports of many Select Committee and participated in their deliberations. Several scandals have come to my knowledge. But the picture of the whole economy and the whole Government which has emerged from this security scandal is shocking. I don't want that this issue be considered on party lines. Ultimately, where we are destined to go? What is going on in this country? Nobody knows how much money was involved. Different figures are being furnished. But Mr. Deputy Speaker, Sir, do not these figures shock us? Is not the amount involved in this scandal sufficient to disturb our sleep ?

I had earlier made a mention of Bofors. Bofors gun strike up to a long distance but bungling was committed in the gun deal nobody knows how long the inquiry which is still going on will continue. Its figure did not go beyond Rs. 162 crore. The amount of Rs.162 crore is just a drop in the ocean of the security scandal. As per the Report, public undertakings made available a huge amount extending up to Rs. 36,000 crores for security scandal. Please refer to page 114, para 14.21. I am quoting the Committee's note.

[English]

Para 14.21 : The committee note that the PSUs were the single largest source of surplus investable funds around Rs. 36,000 crores between April 1990 and December 1992 only.

[Translation]

The amount involved is Rs. 36,000 crore, whereas our defence budget for a year is only Rs. 18,000 crores. Here a single Public Undertaking has provided Rs. 36,000 crores for this security scam. Now they will say that they have not given this amount for the scam and it was invested to earn more profit instead. So that public sector could scale new heights. However, it was lost totally. An amount of Rs. 36,000 crores stolen. If one say that Rs. 36,000 crores is too much and the whole money would not have been lost, some money could have been saved or brought back, I would like to ask a question as to how much money was lost in this security scam ?

According to Jankiraman committee Rs. 4024 crores have been lost. The CBI estimates are much higher. According to them it is Rs. 8338 crores. Even if we take this amount to be Rs. 5000 crore, we have to accept the fact that the allocations made for social services like education, health, broadcasting etc. In the Central budget last year were less than half of Rs. 5000 crores involved in the scam. The total allocation Rs. 2373 crores only. I don't know why the budgetary allocation for education and health for the whole country has been clubbed with the allocation of broadcasting. Even if it is include in it, an amount of only Rs.2373 crores was earmarked for these items whereas an amount of Rs.5000 crores has been lost in the scam. Where did it go ? Now

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this committee has recommended to constitute another Committee to investigate as to where this amount has been gone. That committee will look into it and perhaps the Government have takes a decision in this regard. It is a right decision and the Government will have to take some more such decisions. Without constituting an Action Taken Committee, the Government will be required to respond to the recommendations of this report. It has to take concrete steps and this steps is one of them.

Mr. Deputy Speaker, Sir, the complaint was that the announcement of constituting a committee should have been made in the Parliament itself. But the bitter truth is that such a huge sum has been lost. Mr. deputy Speaker, Sir money is one aspect though it is an important one. In this country where more than 40 percent population is living below the poverty line, the people who are involved in this scandal of Rs. 5000 crores could only be termed as anti-social elements.

Mr. Deputy Speaker, Sir the question of honesty, credibility and morality matters more than that of money. Morality is such an asset that provides us strength to live and helps face pressures both from inside and outside. What is the inherent strength of this country? Even in the state of poverty we maintained our dignity because we had the strength of morality with us. Even being backward, we managed to command respect in the world. Because we had made morality the test of our conduct. The most tragic aspect of this scam is that it hit that very mortality.

I would like to quote of that committees report

[English]

"What is extremely worrisome to the Committee. is an unhappy side effect. Amongst all the witnesses that appeared before the Committee, in all the many hours of evidence taken, the committee seldom came across an instance where responsibility for wrong was forthrightly accepted. Further and more worrisomely, the Committee found that as of routine through the entire apparatus of Governmental machinery, a very damaging approach seems to pervade, that of transferring responsibility towards this distressing lack of fibre in the apparatus of Governance can only debilitate the state. This persuades the committee to briefly comment upon the third dimension on of this entire matter. which is moral. No system can work through regulations alone. Of course, it cannot work if they be flouted; but much more than that, if a system be devoid of the moral quotient, of a commonsense appreciation of right from wrong, of a sense of public duty particularly when entrusted with public funds then it cannot work"

[Translation]

Mr. Speaker, Sir, should not there be a conscience to differentiate between right and the wrong? Should we play with the system like this? You go through the whole report, Each and every page of this report is full of such stories which shocks the heart deeply.

It is meaningless to say that it is a system, that has failed. The only logic being advanced is that it is a system failure. Who evolves the system? Are the persons not liable to make it successful? And in this case, system has not failed. warnings have been issued for years, regard 1986, Shri Augustin P. Kurias gave a warning in this

regard and pointed out certain things, I can quote some of them:

[English]

"The Committee have noticed that the kind of irregularities that have recently surfaced can be traced back to as early as October 1986. This had been pointed out in a letter by a joint chief Officer of the DBOD, in RBI, Shri Augustine P. Kurias, way back in 1986, on the basis of special scrutiny of securities then noticed were...."

[Translation]

If you go through these irregularities, you will find that these are those very irregularities that come to light later on. (Interruption)

[English]

DR. KARTIKESWAR PATRA (Balasore) : It has already been said that it is a system failure.

[Translation]

SHRI ATAL BIHARI VAIPAYEE: We have Ministry of Finance, Reserve Bank of India, Banking Department and SEBI in the country, and they have been issuing circulars regularly. Those circulars have been referred to in this reports and it has also been pointed out that these were not complied with. Not to speak of implementing those circulars, there was nobody to see whether those are being followed or not. To me, it is a system failure. System says that there should be monitoring. System calls for a regular checking. However, there was no checking and monitoring circulars were sent but it appears that these were thrown into dustbin. Can the officers escape from this responsibility or should they be allowed to

go scotfree. What was the role of Ministry of Finance in the whole affair?

Mr. Deputy Speaker, Sir, our finance Minister and his colleagues were under the impression that the upward trend in the Rate of shares, was the result of implanting new economic reforms. I had warned at that time. You may go through my speech. I said that the industries of our country which were working under restrictions have been liberated from these restrictions. It had to be seen that they do not turn anti-social and anti-human. Adequate precautions should be taken while introducing liberalization. The Committee has also said this. No scam can take place in the transparent system. Our Communist friends still fail to understand that transparency and scam cannot go side by side.

Mr. Deputy Speaker, Sir, our Finance minister who holds such views should have been careful and taken appropriate action. It has been mentioned in the report that the Finance Minister had convened a meeting of the presidents of Stock Exchanges. I have gone through its proceedings. There is no mention whether shares were rising at an abnormal or normal pace. Other items were discussed in the meeting but this particular point was not touched. Steps could have been taken at that time and circumstances could have been brought under control, but it was not done.

Mr. Deputy Speaker, Sir the facts revealed by the Committee while enquiring into the source of money invested into securities are quite startling. I have already stated that they got this money from PSUS and Foreign Banks. There is a mention of Rs.36,000 crore What was the objective behind setting up the PSOS? It was envisaged that national economy would be strengthened by the PSOS and self-suffi-

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ciency would be achieved. Was it ever thought that the PSOS would be involved in such a scam? You do not do your work but earn more and more profit through markets. Probably the union on Government might have been impressing upon these PSOS not to run into losses. But at the same time the Government ought to have instructed them that running into losses would do, but indulging in irregularities and earning profit would not do. After all, there exists public Enterprises Department and Banking Department too which could take notice of the money being drained out by these PSUS. It was being handed over to the speculators. The schemes formulated for raising additional funds were misused. The money went straight away into the hands of speculators as the rate of interest was lower. The report has mentioned that PSUS are meant for production but they have indulged in speculation at the cost of their production. Gambling is going on in the country and they were gambling not with the wealth of the nation but with its destiny. How the management responsible for running these PSUS could behave like this? Being short sighted and allured by short term benefits they behaved like this as they thought there was no one to check them. Words like this as they thought there was no one to check them. Words "emergence of the culture of nonaccountability" are used in the report.

Mr. Deputy Speaker Sir, a new culture of non accountability is emerging in the country. Could reforms work in such a situation. Can a state discharge its duty under these circumstances? How did this culture develop? The hon Finance Minister is not prepared to own this responsibility? He is not prepared to say that his assessment was wrong and he did a mistake. He is not even prepared to make atonement. I do not

know what transpired between him and the how Prime Minister. However he has taken a right step by tendering his resignation. He has followed the parliamentary tradition.

AN HON. MEMBER: But you people didn't do that.

SHRI ATAL BIHARI VAJPAYEE: I am not levelling any charge that the Finance Minister has gained some monetary benefit out of it. His bonafides are not under cloud, but since he is the Finance Minister, he has to own the moral responsibility for the failure of the Ministry of Finance and R.B.I. as well as for the rotten system that existed.....and I hope the Hon Prime Minister will take a right decision though the whole Government is involved in the scam the picture that emerges is very horrible. I am not saying all this as all leader of a party.

But, in the present scenario the parties have become insignificant. You may go through each chapter. Though the Reserve Bank is issuing the circulars yet nobody is adhering to these. There is nominee of the Reserve Bank of India in each board, but they do not attend the meetings. They are the Central Government Officers deputed to the Banking Boards but they do not participate in the meetings. They never asks for facts in the meetings, The Reserve Bank representatives attended 15 out of 49 meeting and that too, in a casual manner. What is this? Do you find any accountability in it? The officers attend the meetings of the Board as representatives of Reserve Bank; and in the meeting they do not take care to collect information as to what is going on. No one goes through the Bank's report after it comes. It seems as if a happy-go-lucky reign was prevalent. Can the Hon. Minister escape the responsibility? No Minister can say that since he did not have his role in the decision taken by his officers he can not be

held responsible. If your officer took a wrong decision you could have refused it, but you must bear the responsibility, since it is parliamentary convention we will have to prove our selves worthy of it.

I would not discuss the names mentioned in this report. Our Shankaranandji is capable of facing any charges boldly his capacity to swallow venom can not be under estimated. However, the churning of ocean had produced not only venom but also Lakshmiji and 'Varuni'. Today he is openly asking, why at all should he resign. If Shankaranandji conscience does not prompt him to resign, I do not wish to comment on it. I can say only this much that had I been in his place. I would have, right away resigned. This is no time for sharing faults nor for calculating the bits. The entire system is being put on test and we just can not improve our future by failing in it.

Mr. Dy. Speaker, sir this report has raised a number of issues. I had never read textbooks so intently during studies as I have done with this report. Each page of this report speaks out a tale that leaves a bitter taste. It is difficult to decide, which issue is to be raised here.

However, I shall certainly raise the foreign banks issue. There is particular bank among these foreign banks and I shall not disclose its name. But after this scam came under discussion, some representatives of this bank met me with prior appointment. I was immensely impressed by their personalities their white complexion, 'Sahab' style their English pronunciation more accurate than the English could do. They were armed with documents and prepared for every argument. They also had the details of the phenomenal growth of the bank in such a short period. Besides, they carried diaries and video tapes, which were sufficient to

impress an ordinary man like me. I thought there have had been several scams, but on hearing the visiting gentle men it seemed that they had done no wrong. However, it was later revealed that this very bank was involved in the largest scam.

SHRI VILAS MUMTTEWAR (Chimur):  
Atalji, you get impressed very soon.

SHRI ATAL BIHARI VAJPAYEE: Mr Dy. Speaker, Sir what is the role of these foreign banks ? what will be their modus operandi ? Will they comply with the rules or not ? Does violation of rules mean compliance of rules by them. They are openly defying the laws of this country. They are not following the laws of this country and at the same time, they are violating the laws of their own countries. The committee has passed very severe remarks against these banks. Their licences must be cancelled. The profit they have earned out of this scam should not be allowed to be taken to their countries. I am not in favour of withdrawing or closing of all foreign banks. There are several foreign banks, but a few selected banks are involved in the scam. this is very peculiar situation not only the banks but also their agents are involved in the scam. Selected persons, selected agents and selected officers, involved in it are having immense capacity to defraud.

People had faith on the nationalised banks and their financial agencies. People had faith on the share market. Thousands of people had invested their money in shares. When the Finance Minister declared that hike in share prices is the out come of economic reforms, people bought shares at the cost of their savings and even after selling their ornaments and utensils. They thought when, Dr. Manmohan Singh has declared, share prices must go up. The country is racing ahead with economic re-

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 form. Ultimately, people found themselves ruined. Some people committed suicide. Banks like Bank of Karad and the Metropolitan co-operative Banks became almost non-existent. What relief has been provided to those who had deposited their money with these banks. Even if they have fallen prey to the system, they must get compensation. But the fact is that they have not fallen prey only to the system, they have been struck also by the neglect and criminal indifference of big people. They have fallen prey to the policies of people who do not have any sympathy, any pain for public money.

Mr. Dy Speaker Sir, I am repeatedly coming to the same point. This is the most tragic aspect of this scam. The scam came to light and the details of action taken in the matter is given in the report. Junior officers and some senior ones involved in it have proceeded on leave or have retired or got themselves transferred. Their explanations had been called for, but no exemplary punishment was given to them. A cover up move is going on from top to bottom. It must stop.

Does this report make us conscious of this situation? I do not wish to read out all the names. There are some persons among these names who were found to have indulged in the scam at one place or the other, at some other place they become managing Directors and later on, Chairmen. With whom are these selected persons connected? With whom the agents are attached? How did they keep on playing so openly? Looting is going on in the country and there is none to put a check on it. Those who could do so have failed.

There is a Department of Public Enterprises which was previously a part of the Prime Ministers Secretariat. It was later on, shifted to Industries. Now Industries are

under the overall charge of the Prime Minister. The failure of that department is very evident. What exactly did the Public Enterprises do? What did it look after? Why did not it trace out the way money was being floated into the market? Why did not it ensure that money invested in the 'satta' market should be diverted for the development of the country and invested for the good cause of the undertakings? Did some one Looked into it and if so, who?

I was under the impression that SEBI is a good organisation and it must be doing something fruitful. But after going through the reports and also after discussion I came to know that SEBI was indulging in double talk. On the one hand, it was writing to the Ministry of Finance and the Reserve Bank that the extraordinary increase in share prices is unwanted on the other hand it was stating in the reply to Parliament that hike in prices was the result of economic reforms. After all, do the officers lack the courage of plain speaking? Will the senior officers too speak with an eye on the attitude of their higher-ups? Should the higher officers not have that much of moral courage to tell the Minister that his action was wrong. However, they shall comply with his orders? But the fact is that there are very few such courageous officers. Majority of the officers like to make hay while the sun shines, since they are on the verge of retirement.

Mr. Dy. speaker, Sir one is not certain about the steps likely to be taken by the Government. Is the Prime Minister going to take a decision courageously or not? We stand on a cross road. Now the position of the Hon. Prime Minister has improved in his party. He has won the elections. Now, he can take bold steps. It is right that recommendations about Gold Star must be examined thoroughly. If, Harshad Metha can not prove that he is guiltless, action must be

taken against him too. If someone is found guilty and without proving that he is guiltless he goes in to oblation then this practice should be checked.

The Administrative Reforms Committee had recommended for appointment of a Lokpal. There should be a system to enquire into the corruption charges levelled against prominent leaders occupying high offices. The ARC had recommended for a lokpal—something like a high-powered authority like an Ombudsman, this dealings should be above board and he should be a non-inclined personality who can conduct enquiries against big people. He should be competent enough to raise its own investigating machinery. Now, you cannot trust the C.B.I. since its reliability has eroded. The C.B.I. declined to respond to the committee and the committee could do nothing. The C.B.I. said that they cannot furnish information to the committee as it will affect their investigation. But what about the investigation being done by the Committee? The C.B.I. did not co-operate. It needs to be revamped.

But, I was referring to another point. If charges of corruption are levelled against a high rank person, there should be a definite machinery of investigation. That Ombudsman should have the power to call all people involved in investigation to one place. It is now possible to set up new mechanism for each and every enquiry. However, the system should be honest and find out facts appointment and promotions of that mechanism should not be dependent on the Government. There should be a few thousand honest people who may speak out the truth even at the cost that personal benefits. Only then, something can be hoped for the future of country.

I once again want to say that today we

stand on a three way crossing. This report is not only concerned with the scam in banks it is a very serious remark on our national character. It will put us in the dock. It calls for a reply from the Government. I want to mention once again that this report is unanimous.

My friend, Mr. Jena was raising the issue in fact with a view that a unanimous opinion can be formed about the unanimous report. I do not want to refer to the other notes and the facts mentioned therein, although they are important by themselves. But can not this House form a single opinion about the report that does not carry any dissenting remark? The only opinion which can be formed is that action should be taken against those who have been booked in the report. If the concerned person is a Minister, he should resign and if he is an officer, he should be made to stand in the dock. This only can help in reviving the lost faith of people to some extent.

[English]

THE MINISTER OF STATE IN THE MINISTRY OF EXTERNAL AFFAIRS (SHRI SALMAN KHURSHED): Sir, I have the honour to open the innings on behalf of our party and I am conscious of the fact that I have to play the tricky swing bowling of hon. Member, Shri Atal Bihari Vajpayee. I stand here to speak neither to oppose nor to defend the position taken by the Joint Parliamentary Committee, because such is not our position to do. It is true that when a Joint Parliamentary Committee makes recommendations, it would take the most courageous of Parliamentarians to question the basis, the evidence or the conclusions arrived at by the Joint Parliamentary Committee.

I join Shri Atal Bihari Vajpayee in con-

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gratulating the thirty Members of the Parliamentary Committee, headed by Mirdhaji, for the report that they have submitted. I wish to congratulate them for the Report that they have submitted, but I differ with Shri Vajpayee to the extent that I find it very difficult to write a gloss on the report that we are accepting. We either accept the report or reject it. It is not for us to add an emotional gloss on a report which I believe, and we must all believe has been written with complete objectivity and complete persuasion that whatever has been written has been written in an honest belief that it is true. It is not for us to now write a gloss about what should be done on the basis of that report. It is to be done in terms of conventions that have developed in our Parliamentary system. It is not for any individual Member to suggest that we should now create new convention. Conventions grow not by pressing an emotional argument at a time when we should be objective, keeping in mind the consequences of anything that we do on the findings and conclusions of this report.

I stand, Sir, to defend a dream that become a nightmare for the opposition of the day. I stand here to defend the economic legacy, a legacy of late Shri Rajiv Gandhi which finds its living proof in the personality of the Finance Minister of the day, Shri Manmohan Singh. I stand without any reservation (*Interruptions*)

I am obliged that those who have been preaching to us Parliamentary conventions have shown another convention of interrupting the speaker who is making his case for his party.

I stand today to defend without reservation our belief in the new economic policy. Whichever way you may like to describe it, but we like to describe it as a national

rationale approach to globalisation of the world's economy and I believe that it is the results of the last two years which are now becoming a nightmare for our Opposition. And, therefore, it has become important for them to attack it. Not having succeeded in the electoral attack, they now want to attack it in the personality of the Finance Minister who represents the symbol of that economic policy.

1200 hrs

Sir, today, we are facing the second most important demolition that has been attempted by the Opposition. The first demolition was attempted on the 6th of December. (*Interruptions*)

I speak not of the demolition of a structure; I speak not of the demolition of a house of worship; I speak of the demolition of a structure on which this country was built; I speak of the demolition of the secular fabric of this country. Those who are preaching to us today about convention and responsibility. I hope certain sections of the Opposition will join us in this and those who are preaching to us about incredibility, about incredulousness, about doubts that had been cast on the ability of the CBI and other Government agencies for providing objective investigations and who have been casting aspersions and teaching us new conventions, must remember what happened on the 6th of December. What had happened to the convention of 6th of December?

SHRI HARINPATHAK (AHMEDABAD)  
What is the connection between the convention of the 6th December and the JPC Report?

SHRI SALMAN KHURSHEED: I am not yielding, Sir, if they are so confident that m-

argument is an argument of non-sequitur they can, when they get a chance to seek an answer. All I want to say Sir, today is that the Leader of the Opposition is saying that for every administrative act that takes place in the Ministry of Finance, the Finance Minister should take the moral responsibility. For all that had happened in Ayodhya on the 6th of December, let them tell me, who took the responsibility for what had happened on that day. *[Interruptions]*

Sir, I had said that I stand to defend the Economic Policy because what is a stake today is not the future of Dr. Manmohan Singh, what is at stake today is not the future of this Government, what is at stake today is the aspiration of a young generation of Indians who want to take this country to the 21st Century with pride and with privilege. We have been obstructed and attempts have been made *[Interruptions]*

MR.DEPUTY-SPEAKER: Please do not interrupt unnecessarily.

SHRI SOMNATH CHATTERJEE (BOLPUR): Sir, at the Leaders' Meeting this morning, we expressed that there should be no heckling like this or interruptions like this. Therefore, I request Mr. Vajpayee and the hon. Members on the other side to see that it does not happen.

SHRI SALMAN KHURSHEED: I am very obliged to Mr. Somnath Chatterjee. I believe that it is in the highest traditions of Parliamentary practice that even if you disagree on Economic Policy, you must first hear what the other person's policy is. We have said that there had been serious differences on Economic policy and you have and you must make full attempts to obstruct whatever we try to do in the field of Economic Policy because it is certainly true that your vision differs from ours but your vision

may well have the same, high level of nationalistic feeling that our vision has. But I just want to point to the main Opposition of the House and the main Opposition in the country today that so long as left front has a disagreement with us on liberalisation of economy, we expect this as an important nationalistic difference between two points of view but we have not been able to understand the economic difference, difference in Economic Policy of the BJP and our Party.

They speak of liberalisation and they have spoken of liberalisation for 40 years. But when we were able to introduce liberalisation, when we were able to introduce globalisation of the Indian economic policy, we find that they have an objection. They want us to export, but they do not want us to import. They want a free market to stop at the boundaries of India. I hope, they have some economist among them, who will tell us of a model that works only on one way traffic. You can travel from here to Ayodhya but you cannot travel from Ayodhya to Delhi.

Sir, I would like to pay tribute to Shri Atal Bihari Vajpayee, who has tried to make good argument of a bad case. I do sympathise that hard cases make bad law and it is my concern that a hard case that was placed before the Joint Parliamentary Committee may not end up in making bad law, bad law in the form of bad parliamentary convention.

Here, with the greatest of respect for a person that, I believe, is a friend, philosopher and guide not only to me but to millions of young Indians and people aspiring for the national cause, Shri Manmohan Singh, I respectfully disagree with him in his having perceived his moral responsibility and parliamentary convention that he should tender his resignation. This will not just be the resignation of Shri Manmohan Singh, this

will be the shattering of a dream of thousands of young Indians. *[Interruptions]*

SHRI SALMAN KHURSHEED: I have learnt all this from you.

MR. DEPUTY SPEAKER: If you want to say something, you please get up and if the Minister allows you then only you are at liberty to speak, otherwise kindly oblige.

*[Interruptions]*

SHRI SALMAN KHURSHEED: Since the hon. Members are so beefed at my defence of the Finance Minister, I would just like to shift gears a little bit and speak of an anecdote that I believe is as appropriate for the occasion. This is something that happened and which related to proceedings in the British Parliament and British Courts.

Sir, some years ago, an outstanding judge of the British judicial system. Lord Denning, was faced with a difficult situation involving once again a degree of disagreement between different political groups in the country. A post-office workers strike had been proposed against Mayors being sent to South Africa, something with which certainly we, from our point of view, would have sympathised. However, the law took a different opinion and the law said that there cannot be a strike of essential matters, especially of mail, because the mail may be carrying important matters to people concerned, including perhaps medical reports, important financial transactions, and that would thus be obstructed.

Therefore, the matter went to the Court. Lord Denning sitting in the Court of Appeal had passed strictures on the Government of the day, on the Attorney-General and had imposed permanent injunction. The other two judges sitting with Lord Denning had disagreed mildly and said, "we will give an

injunction but we will give injunction only temporarily till such time as the Attorney-General is able to appear before us on behalf of the Government and explain what exactly the Government's position is."

That evening, as you know the British Parliament meets in the evening, the Attorney-General was called upon to make submission to the house of Commons to explain what exactly had happened in the judgement. The Attorney-General stood up and said, "there is no problem really, there is only one judge who is against me and the other two judges are for me. On Monday, we will sort this matter out."

That evening, Lord Denning was asked to comment upon the Attorney-General's intervention in Parliament. He looked meaningfully at his audience and said, "they do not understand cricket. Do they? This Attorney-General and his colleagues, I have bowled their middle stump and they say they are not out because the other two are standing." This exactly is the position in which this opposition stands today. This Finance Minister has bowled the middle stump and this finds little pieces in the JPC report to say, they are not out because the other two stumps are still standing. What is it, after all that the JPC report has found?

I am sorry, Sir, those who do not play cricket and only football will not understand this. *[Interruptions]*

SHRI RAM NAIK (BOMBAY NORTH): Sir, he is insulting football.

SHRI SALMAN KHURSHEED: Sir, I appreciate the hon. Member's concern for football but football jokes unfortunately are of the sort that I cannot repeat on the floor of the House.

I wish to draw your attention to page 7 of the report submitted before this House because that is really the germ and that is really, I believe the understanding of the JPC itself of the conclusions that it has reached. I do not wish to analyse the evidence, I do not wish to analyse the submissions, I do not wish to add agloss on the conclusions except to pinpoint what the JPC itself has said by way of conclusions and to say that the best that we do is to interpret to the best of our ability what the JPC has done. It is not for us to add anything further, not a word further to what the JPC has done even if we feel that their work has been inadequate.

Para 2.7 reads as follows:

"The scam is basically a deliberate and criminal misuse of public funds through various types of security transactions with the aim of illegally siphoning off of funds of banks and PSUs to selected brokers for speculative returns. The latest irregularities in the securities and the banking transactions are manifestations of this chronic disorder."

Those who understand the word 'chronic disorder' and who understand 'disorder' will understand what the JPC has meant. There is no specific reference, there is no specific responsibility of any individual and it cannot be of an individual if we are talking about a chronic disorder.

If Shri Atal Bihari Vajpayee's understanding of this Report is correct, that the JPC has rejected the Finance Minister's contention that this was a systematic systems failure—if that is the understanding of Shri Atal Bihari Vajpayee's and also of the Members of the Opposition,— then I would know what 'chronic disorder' means. Any person acting in a negligent manner, any

person failing to exercise the responsibility, any person being callous and cavalier in the discharge of his public duties, could not possibly lead to what can what can be described in national terms as 'chronic disorder'.

"A chronic disorder, since that involved not only banks but also the stock market, the financial institutions, the PSUs, the central bank of the country, and even the Ministry of Finance and other economic ministries in varying degrees."

We are talking about a serious problem. We are not talking about an individual, no matter how competent he is, no matter how qualified he is, holding responsibility for something which is endemic in our system.

It is here, not just in this Parliament but in this country that every public figure, not once but a thousand times in his career has repeated that here is something wrong with the system, that there is something wrong with the criminal justice if we cannot bring people to trial for ten years in a row. There is something wrong with the inquiry system in this country where every judicial or extra judicial inquiry needs to go to the Supreme Court hundreds of times before the procedure is clarified. There is something wrong in the system when you find that an hon. member like Shri Antualy had to fight for ten years to get his name cleared all the way to the Supreme Court hundreds of times and that he had to have a constitutional court judgment of five judge overruled by a constitutional court judgment of seven judges. Who would answer for that? Have we, sitting in this House, who are the protectors of the law, the framers of the law, ever asked ourselves the question that there is something rotten in our system? If there is something rotten in the system, it will not be settled with the resignation of two or three

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Ministers, it will not be settled with the resignation of the entire Government, it will not be settled by changing of a Prime Minister, but it will be settled if hon. Members of the Opposition, with a nationalistic approach sit down with us and tell us how this matter has to be solved.

We are prepared to accept that some of the Members of the Opposition raised a voice against corruption and this party is just as committed to ethical standards and to the elimination of corruption as they are. If we were not, then believe me, that we would not be sitting on this side of the house. The whole country has judged us to be so.

Today you might want to make a fresh judgement on the JPC Report and its findings. But do not forget that the JPC Report and its Draft had been in the newspapers all these months when we faced electoral battle. Do not forget that it was in your manifestoes; do not forget that it was in your speeches. And yet you know the result of the elections that took place. That was the election which you described - we did not describe - as a mini general election, which you said would be a prelude to a midterm election in the country and you said would be a prelude to your walk to Delhi. Now you noticed how long the distance to Delhi is. Perhaps you should now advise your policy-makers, in the inimitable words of the great king of the country: "Dilli door Asta"

Sir, I will now proceed to page 8. At the bottom of page 7, last line, again paragraph 2.7, says:

"During the period from July 1991 to May 1992, the most glaring proof of the nexus between the irregularities in banks

and the overheating of stock market which came to light is explained by the graphic representations of the BSE Index; and the fact that there was a sharp increase in securities transactions during the corresponding period of the banks involved in serious irregularities related with the scam. What is more apparent (this is important) is the systematic and deliberate abuse of the system by certain unscrupulous elements...."

Why do we not find out who certain unscrupulous elements are, instead of asking for head hunting in the Government of the day? This is what I urge.

*(Interruptions)*

SHRI HARI KISHORE SINGH (SHEOHAR): How the failure systemic of this great proportion from July 1, to May occurred? In July 1991 this Government came to power and this New Economic Policy was introduced. *(Interruptions)*

SHRI SALMAN KHURSEHEED: If the hon. Member would allow me, during the course of what I have to say, I will refer to this point and hope to satisfy the hon. Member if at all happened why it had happened during that time.

I may now turn directly to the chapter on the Ministry of Finance, which is going to be my concern. I will leave it to my colleagues to deal with other areas in this Report because I would not like to take too much time of the house before other people have their say.

Paragraph 16.8 is the basic finding of the JPC against the Government on the Finance Ministry if such is the case. It says:

"The Committee have examined this matter in depth (for which we are grateful)

and the Finance Minister and the Ministry during evidence have termed the scam as a "system failure". In the context of the banking sector, the Government being the owner (or trustees on behalf of the people of India) of the entire nationalised banking industry and given that there exists various methods and mechanisms of information and control, the MOF failed to (a) anticipate the problem; (b) respond to it purposefully when it first surfaced; (c) manage adequately thereafter the consequences of it; (d) apply the needed correctives with despatch; and (e) punish the guilty in time and resolutely."

Sir, there was a very important word, which was used by Shri Atal Bihari Vajpayee, and that word was described as 'negligence'. But, now here in the Joint Parliament Report, the words 'negligence or cavalier fashion in handling by the Ministry in the discharge of its responsibilities' have been mentioned by anybody. The words mentioned in the Report are; "anticipation of problem; responding to it purposefully; manage adequately; apply needed correctives; and punish the guilty. Punish the guilty is not the Finance Minister's job. But certainly anticipating the problem is his job; responding purposefully is his job; managing adequately is his job; and applying needed correctives is his job. It is for him, the Finance Minister, and for the Government to judge on each of these counts, he is supposed to do.

And when you are on the job, it is not for thirty people or even for the entire Parliament to tell you. I think, on this the parliamentary procedure is very clear. The Parliament cannot in its wisdom tell a Finance Minister on how he should have anticipated something, on how he should have responded, on how he should have managed and how he should have applied correctives. It is the prerogative of the Government of

the day to decide what to do. It is the prerogative of the Government of the day to decide what to do. It is possible that the assessment with all the hindsight and wisdom which is available to the JPC including the disclosures and explanations given by the officials of the Finance Ministry and the Finance Minister himself, they have come to the conclusion that the anticipation was inadequate or the response was inadequate.

Sir, in my limited knowledge and limited understanding of parliamentary procedure, I have not heard of any precedence that we should have ever created or we should now create by which inadequacy of anticipation and inadequacy of response are to be taken as a matter of great moral import because of which the entire Government should be made to resign. I think, this is trifling. This is trifling with the system of parliamentary democracy to find and it also indicates the lack of earnestness and seriousness in the Opposition to address important issue that will ensure that these things at least in the financial sector do not happen in our country again.

Sir, I will now speak of an adequate response. It is not something that I have acquired independently, this is something which is available in the Report and it is only to be judged by you whether it is right to say that the Finance Minister did not respond or managed adequately.

The steady rise in share prices according to the JPC has been established to be around the period of July, 1991. The Finance Minister's instructions to the RBI in matter of speculative investment was in September, 1991, in the normal course of functioning as Finance Minister.

The Credit Policy of the Government keeping all these in mind, was announced

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in October, 1991. Further rise has been noticed from January to March, 1992. Again a caution against speculative boom was given specifically by the Governor of the Reserve Bank on 10th March, 1992, having been kept back till 10th of March to ensure that the Budget was through and the Budget was not affected by any dire warning against speculative boom. Then, a letter from SEBI cautioning against repercussions of the continuing rise came on the 31st January, 1992. The Finance Minister addressed the Presidents of the Stock Exchanges on the 28th March, 1992. The grievance of Shri Atal Bihari Vajpayee is that in the meeting where the source, the causes of unhealthy speculative boom have been mentioned, have been discussed and have been initiated were not enough. There should have been specific mention of unhealthy boom. Again, we cannot dictate to every individual Minister and Administrator exactly how he must put his message across to the people that he is dealing with.

Questions in Parliament were across on the 27th March, 1992 and on the 31st March, 1992. The Janakiraman Committee was appointed on the 30th April, 1992. The Finance Minister made a statement regarding these matters on the 4th May, 1992. The ordinance was promulgated appointing special judge and special court on the 6th June, 1992. The discussions on the Jankirama Committee Report took place on 8th July 1992. The Prime Minister's statement that the JPC would be advisable and such a request is being made to the Speaker was made on 9th July, 1992. The JPC Resolution were passed on 6th and 7th August, 1992 respectively, in the Lok Sabha and Rajya Sabha, where going by the Indian standards, where going by the standards that are familiar to us, where going by the

systems and institutions that we are familiar with, where can anyone pinpoint to inordinate delay in the action which was to be taken, which was going to affect a large number of institutions in the financial sector in the country?

Sir Rome was not built in a day and those who say that it is the policy of liberalisation; it is the policy of opening up which has created this problem should also consider that whenever you change over from a strict system to an open system whenever you change over from security to transparency. Whenever there is a change from one system to another, vested interests try to take advantage. And that is why in sociological terms we call this as 'withdrawal syndrome'. whenever withdrawal syndromes take place, correctives are necessary. But correctives should not mean that you deprive the person who is attempting to change the system from the very ability and the very commitment to change the system.

I have great disagreement with the interpretation that is being placed on the JPC report by Members of the opposition saying that any of these grounds have been clearly established. The Committee itself has found on page 211, in paragraph 16.16 that:

"The Committee are inclined to conclude that despite the Ministry of Finance being aware of what was happening in the stock market, did not address themselves seriously to check the unhealthy trend, believing this phenomenon to be a beneficial consequence of their policy. Even after holding the market behavior as unreasonable, the Ministry of Finance did not act decisively in the matter."

So, they have said 'unreasonable be-

havior', 'did not act decisively in the matter', 'did not seriously check', but nowhere in this Joint Parliamentary Committee Report has any attempt been made to say that the scam was contributing entirely to rise in share index of that time. The Share index is rising even today...[Interruptions]. I am not yielding.

Is the entire edifice of economic policy that has the approval of this country and that has the applause of the world going to fall on the word 'unreasonable behavior of the market'? The Finance Minister repeatedly in his interventions and in his replies to the questions posed both in the Rajya Sabha and Lok Sabha, has said that amongst the constituting factors, liberalisation of the economy is also one factor. He always said that, *inter alia* it is this factor that is contributing to the rise of the share market. Now, if liberalisation does not help in the rise of the share market, then what does liberalisation help in? This is what I want to ask the Opposition. If an attempt has been made and if the JPC has said that they have been able to apportion the extent to which the callousness or the lack of attention to the unreasonable behavior was the cause of the rise in the stock market, the extent to which the scam was the cause of the rise in the stock market, we could then have apportioned the blame. But no such thing has been said. It has been left vague, it has been left as general, it has just been left as a sober warning that we need to put our system right. This warning is coming from the Parliament today but this warning came from the Finance Minister when he presented the first Budget to this House and he said that we have to make important changes, we have to make important improvements in the financial institutions and the financial system of our country. So, today what are we going to hang, draw and quarter a man for the very warning that you

want to give today. We want to hang, draw and quarter a man for the fact that he is competent, for the fact that he understands the market, for the fact that he understands the economy, and for the fact that he has given you today an economy that not just you but the whole world is applauding as an economy which is in the process of a major take off.

In the end, at page 222 in the general comments on the responsibility of the Minister of Finance, the following important conclusions have been drawn:

The Committee, having examined all aspect, conclude as follows:-

For the Minister of Finance to have asserted that the rising share prices in early, 1992 was among other things, a consequence of the liberalisation policies was misplaced.

Absolutely no basis for this conclusion has been given. It is true and we will accept that it must have been contributed to by the fact that there were liberalised policies.

The liberalised policies contributed to the rise of the share index and perhaps allowed for the kind of scam that took place, but simply because somebody misuses your attempts to reform your system must not make us so timorous as not to reform our system at all. The Report further says:

"Moreover, for the Ministry of Finance to have dealt in terms of relative unconcern with excessive speculation on stock market is not appreciated by the Committee."

Is the lack of appreciation by the Committee going to be the basis of a moral responsibility on a Financial Minister? The committee further states:

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"Effective regulation was hindered by the prevailing atmosphere in the Ministry that what was happening, far from being bad for the economy, was a reflection of the success of the new policies. Its failure to ensure adherence to its own instructions contributed significantly to irregularities in the securities and banking transactions."

It says: "significantly contributed". Is that all going to be the basis of a moral responsibility? The Committee goes on to say:

"The Committee regret to observe that the Ministry of Finance could have exercised much closer supervision of the entire securities and banking transactions. Had that been done, the subsequent disorder in our economy, could have been avoided."

Sir, "disorder" here is a very important word. I am not sure whether anybody even in the Opposition can seriously argue that our economy, suffered from disorder or continues to suffer from disorder. But what is important is, how the Committee having come to these summaries and conclusions have finally suggested what need to be done. The Committee says:

"The Committee agree with the contention of the Ministry that the solution does not lie in increasing the control of the Ministry of Finance, but in having greater professionalism of the Boards. One way of doing it would be to replace the Government Nominee Directors who are not at present from the civil services with persons possessing professional qualifications and experience".

This is the crucial finding the base finding, the most important principal finding of this Committee that what you call for is greater professionalism and no public figure

in this country can stand up and throw the first stone in saying that: "I have been upright in my career in ensuring that only professionalism and professionalism of merit has secured the places in this country." We are all subject to the pressures, we are all subject to our constituencies, we are all subject to the atmosphere in which we have survived this politics and we have, all of us, been guilty of promoting lack of merit, of promoting individuals, of promoting corporations, of promoting persons and of promoting forces that, we believe, will support us politically. Let us make a decision here today, collectively that India is going to function as a professional country, India will function as a country that believes in merit, India will function as a country that believes in justice and not as a country that believes on reward being given on the basis of party politics. Let us take this decision, a lot of us will go into oblivion if we take this decision, but, it will take courage, because a lot of us will lose our elections if we take this decision, but we will go down in the history and we will save this country. If they have the courage, the opposition should stand up today and request our Prime Minister by saying: "Let us meet to decide how we can give India greater professional profile." *"Interruptions."*

Sir, two very important observations have been made. I would like to refer to those observations and I will then also refer to a precedent in this very Parliament where a Minister had taken responsibility and has resigned. The Committee felt strongly about the role of the foreign bank and then finally it said:

"In the light of the above, the Committee feel the responsibility and accountability of the Finance Minister to Parliament cannot be denied."

And this exactly why we are proud of this Finance Minister. He stood up and took responsibility. He did not shy away and say that this is a responsibility of the officers who were advising me. That is the highest traditions of parliamentary behaviour that you stand up and say: "It is my job, it is my Ministry and I will take the responsibility. "Then the Committee says:

"The Finance Minister has raised a point to which the Committee feel it should react. In his written submission the Minister has stated, as regards the functions of the Finance Minister, he oversees the work of the Ministry and provides overall policy guidance to the officials. Revenue and expenditure decisions are the direct responsibilities of the Finance Ministry. As such, the Finance Minister has more direct responsibility in these areas. He is also responsible for broad policy decisions affecting the financial system where the Finance Ministry is involved."

However, FM cannot be held responsible for administrative failures or management deficiencies in the case of individual banks and other financial institutions. The Committee feels that such a distinction cannot be sustained by the constitutional jurisprudence under which the parliamentary system works. But the Committee does not tell us anywhere at all what does it by accepting this distinction in terms of Constitutional jurisprudence entail.

A time has come when we must seriously think about what moral responsibility entails. If a train crashes, if a railway driver goes to sleep in the train travelling from Delhi to Calcutta, should the best Railway Minister resign? If a plane fails to make a correct three-point landing on tarmac, should the best Civil Aviation Minister resign?

SHRI RAM NAIK: Both of them have earlier resigned. Mr Lal Bahadur Shastri had resigned when there was a rail accident. Your colleague, Mr. Madhavrao Scindia had also resigned when the aircraft crashed.

SHRI SRIKANTA JENA: Why did Mr. Chidambaram resign?

SHRI SALMAN KHURSHEED: I will tell you why Mr. Chidambaram resigned. I am grateful to the hon. Member for pointing out the important precedents of resignations that took place taking the moral responsibility. I think, it is now time that Parliament establishes a convention that moral responsibility should be taken and expected to be taken only where there is moral turpitude or there is something reflecting upon somebody's ability to handle and discharge the duties that have been assigned to him as a Minister of State or Minister of the Union. That is an important matter that we now have to consider—moral turpitude as well as one's ability to discharge his functions. Otherwise, in a complex world where computerization failures can take place, in a complex world where you now have hundreds of aircraft flying, any crash of any plane would not possibly be seen as unproductive exercise towards leading to resignation of outstanding Minister. Let us not leave the governance of the country to the chance of a bird-hit of an aircraft. Let us now decide on what stable foundation, conventions of this Parliament are to be established. Those who speak of convention that exist earlier, would recall—I am sure, they are well versed in the parliamentary history—what was said at the time when the hon. Minister T.T. Krishnamachari resigned because I know several Members will draw attention to this. He said:

"I do not propose to deal with the finding

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of the Commission in regard to the conduct of the officers of the Life Insurance Corporation or of the principal secretary to the Ministry of Finance. I shall not also touch upon the principles which the Commission has suggested to be established at the conclusion of the report except to say that it would be impossible for any Minister to accept the dictum that he must take full responsibility for the acts of his subordinates without being permitted to say that his subordinates did not reflect his policy or acted contrary to the wishes or directions expressed by him, as the quantum and character of his Ministerial responsibility has not been defined. I shall, however, confine myself only to the findings as they relate to me which fall into two parts."

That speaks of his personal involvement and responsibility. If you are personally responsible, if you are personally involved, it is another matter. But if you make an error of judgment, a professional error of judgment, it does not go either to your ability to do the job that has been given or go to your moral character. I see no reason why anybody should even expect that those people should resign simply because you hope the resignation will derail the policy that this Government has propounded two years ago.

In conclusion, I only want to say to my friends on the other side, something which cannot be said in the English language and here I bow to Shri Atal Bihari Vajpayee that sometimes you get to the kernel, sometimes you get to the soul and sometimes you get to the heart, only when you speak your own language. It is in two little couplets with which I shall close my case. I speak of this little picking that you have made from the

JPC report hoping that they will push us to the brink.

[Translation]

"Tum Nahok Tukde Chun Chun Kar  
damen Mein Chhipaye Baithe Ho, Sison Ka  
Masiha Koi Nahin, Kyon Aas Lagaya Baithe-  
Ho

[English]

Finally, before I rest my case, I have a personal tribute to pay to the Finance Minister and I pay it in the words of another poet:-

[Translation]

"Girte Hein Shah Sawar Hee Maidana  
Jang Mein  
Wo Tiff Kya Girenga Jo Ghutano Ke Bal  
Chalen"

[English]

SHRI SOMNATH CHATTERJEE  
(BOLPUR): Mr. Deputy Speaker, I sympathise with my very good friend Dr. Manmohan Singh because he has to protect himself by his friends in his party

We are discussing today the biggest financial scandal of this century, if not of several centuries, that country has seen and I cannot begin without first congratulating the Chairman and Members of the joint Parliamentary Committee for submitting a unanimous report and a historic report, for that matter, after very elaborate discussion and study.

This JPC was constituted by Members from all the political parties in this House and, in that sense, the House itself is a party to this report.

1244 hrs

(MR.SPEAKER *in the Chair*)

Though the report bears, as its Chairman has said, scars of compromise, yet JPC has indeed done a very commendable job which has enhanced the credibility of the parliamentary system of Government in this country. Now it is for the Parliament to redeem itself. The people are looking forward to us as chosen representatives of the people, on the face of the findings of this report whether we will fail this country not or whether honesty, accountability and transparency in public and financial dealings in this country will continue to be at the mercy of financial marauders and diabolic economic adventurers and also puppets dancing to the tune of international financial brigands, making this playground of multi-nationals and manipulators.

I wish to raise a very fundamental issue before I go to the specifics. How could a responsible Government in a parliamentary democracy react to unanimous reports of Joint Parliamentary committee like this where in all Parties have been represented? what will remain of the dignity and the prestige of parliament and of accountability to the people through Parliament if the Government treats unanimously JPC reports casually and with scant respect as if it was a note of probably a mere Section Officer whose implementation will depend only on the partisan political judgment or the ipsodixit of the Prime Minister of the time? This is a very fundamental issue and I would request the Government to make its position very clear and about this, I request you as the Speaker, the custodian of this House and of the parliamentary democracy in this

country to indicate your views.

I should have thought that accountability is the basic feature of Parliamentary Democracy. We are accountable to the people and the Government of the day is accountable to this House. I cannot think of any Governmental activity in a Parliamentary Democracy for which there will be no political accountability. But what do we see here today? I cannot but refer to the reported news, information, that our Finance Minister has tendered his resignation. We have openly and I have openly said that we appreciate the stand taken by the Finance Minister in upholding the highest Parliamentary tradition in tendering his resignation in deference to the unanimous report of a Parliamentary Committee. It cannot be said that it is a partisan report. It is not always a question of direct personal responsibility but there has to be a moral response also and if those who are the political masters try to use bureaucracy as the shield, as Shri Salman khursheed has been propounding, then the political accountability loses all significance in this country.

Occasions in the past have been there in this very country. Pandit Jawaharlal Nehru, whose name is not uttered by the Congress party these days, said when the question of Shri Lal Bahadur Shastri's resignation came and I quote:

"The ultimate responsibility that happens in this country is certainly the responsibility of the Government of India."

Shri Salman Khursheed, the young Parliamentarian, may kindly read, sometimes occasionally, Jawaharlal Nahru's speeches! It would be good for him. I continue to quote:

"We do not wish to shirk the responsibility. It is true, we cannot control the ele-

[Sh. Somnath Chatterjee]

ments and we cannot control many other things. But it is the Government's responsibility. We fully accept that responsibility."

Shri T.T. Krishnamachari resigned when there was misappropriation of Rs. one crore of LIC funds, not Rs.4000 crores like this! He had to go. He pleaded his innocence. But Maulana Abul Kalam Azad was there. He said: "No. He must go." They were made to accept that decision. Shri Keshav Dev Malaviya had to go. While resigning, what did he say? I quote: "My conscience is clear." Of course, we had the privilege of having Shri K.D. Malaviya in this House. said and I quote:

"I can only assert my innocence and impartiality. I offered my resignation believing in certain basic values for which we in parliament stand, for which we are trustees for the people who have elected us."

Now, a new theory is being propounded by the Congress party through the mouth of our young parliamentarian-Minister. Pandit Jawaharlal Nahru's response to Shri Malaviya's resignation was this and I quote:

"Even though I am not personally convinced that Shri Malaviya has done anything which casts a reflection on his impartiality and integrity, yet I accept his resignation and in doing so I have followed- and I must follow - the high principles of parliamentary Democracy by which the office of the Minister is Governed."

Those days are gone and there are no Nehru either. Today, we are told that moral responsibility must be moral turpitude. That means today a new theory of accountability in parliamentary Democracy has been propounded solemnly by the opening batsman of the congress party who is targeting

somebody's middle stump. But you are looking after your off-stump or the leg stump which has already gone.

SHRI ANNA JOSHI (PUNE): Now clear bold. (Interruptions)

SHRI SOMNATH CHATTERJEE: Sir, I yield to none- not even to those so-called friends of the Finance Minister- in my respect for him, personal respect for him. I respect his erudition; I respect his learning; I respect his expertise as an economist of world repute. And I have indeed personally a soft corner for him because he always refers to my late father in very endearing and respectful terms from whose hands he got his degree, he tells me. I may not agree with him in so far as his economic management of our country is concerned. But I do not impute any personal motive at all. All of us highly appreciate his role in the South-South Commission. He has removed himself far away from that. If at all I have to fight him, I fight him politically on the floor of this House. And he knows my respect for him because I have already invited him to go and open a very important industrial unit in West Bengal and whether he remains as the Finance Minister or not, my invitation remains. Dr. Manmohan Singh. But what I see today, the congress Party and most amazingly even some diplomats have joined the orchestra bed campaign that today whatever may happen to this country, Dr. Manmohan Singh must continue as the Finance Minister. Has the Congress lost, if it ever had recently, its commitment to morality and accountability? I was thinking whether the Prime Minister or his party was fair to Dr. Manmohan Singh as he has been made a subject matter of controversy now. We felt that in the context of the findings of the JPC which the Congress spokesman today has accepted without demur, whether Dr. Manmohan Singh has had any alterna-

tive but to put in his papers. Let not a good example be spoiled by the contrived projection of indispensability of any individual in this country. And if that is the object, that is the purpose, then it will give credence to the belief that our Prime Minister is acting under a pressure.

I very humbly raise a question; What is the role that we are playing in parliament today when we are considering the JPC Report? Are we sitting on judgment over it? Are we trying to question the unanimous decision of the Members of the JPC representing all the political parties in this House, almost the combined wisdom of this Parties have laboured very hard for over 16 months, 18 months.. They have gone through the records and various documents, heard evidence and they have prepared their Report. Can we overrule their findings during a few hours of discussion on the floor of the House? Can we come to a decision contrary to the findings of this Committee? Are we, sort of, a court of appeal that today we shall dissect the Report and try to find out some loopholes in it?

I have had the privilege of being here for some years. Therefore, I shudder to think, what will happen to the Parliament as an institution, what will happen to its credibility outside. If all these deliberations today go waste, what is the use of saying for the sake of speech that we accept the Report and then you make all sorts of comments on its findings, are not as if, some of the findings acceptable?

Therefore, Sir, I would also request the Leader of the House to tell us that his perception is about the effect of Reports like the one that we have today and which we are discussing. The Prime Minister had gone on record to say that, and he has assured the House that no one will be

spared, "whatever high position one may occupy, he will have to face the consequences". Now, it is for the hon. Prime Minister to be true to his assurance. No, one from the Minister downward, who have been found to have been guilty of remissness in dealing with public affairs and financial business of this country should be spared. If those who are guilty, do not go, they should be made to go and all disciplinary and remedial action must be taken in all earnestness, with all comprehensiveness, with sincerity and expedition.

Mr. Speaker, Sir, what has been most disquieting, while one goes through the Report, is the facility and openness with the huge fraud and loot was committed in this country of thousands of crores of rupees, not by only one officer or one functionary but, by a large number of people, who had been entrusted with the well-being of this country, who had been entrusted with the financial management of this country. We have no surplus funds to squander away. We are always told that we lack resources. The whole object of privatisation is to infuse more funds in the system from outside. But, whatever we had, had been allowed to go away, siphoned away. We have the entire paraphernalia of Minister and what not, and today, we are told: "Well, if some supervisor does this or some Under Secretary does this or some secretary does this, what shall I do?" The disquieting aspect of the matter also is of the presence of a diabolic politician, business man and bureaucratic nexus and that along has made this scam of gigantic proportion possible.

Sir, I cannot help but going into some of the aspects in as brief details as possible. you will also recall, Sir, that many well meaning persons in this country and some of us inside the House, had expressed

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serious reservations when the index of share prices had shown" quite an unusual and unexplained increase "to quote the words of the JPC. In December 1991, the index reached 1915.12 points while it was 554.9 in April and 571.3 in June 1991. There is no doubt about it; it has been admitted by them also that initially the Government took credit for such a rise and was almost euphoric that the boom was the result of the new fiscal measures and the liberal policies of the Government. Today, we hear that this was the result of the withdrawal syndrome.

Sir, I have to take the liberty and tax your patience for a while in reading out certain portions of this Report.

13.00 hrs

**'In Para 1.1, the Committee noted:**

"...the Economic Survey of 1991-92 presented by the Ministry of Finance in February 1992 reflected, The market sentiments gathered further bullishness following the new fiscal measures announced in the Union Budget for 1991-92 and the new policy initiatives of far-reaching consequences in July 1991, and the Trade Policy Statement in August, 1991."

**In para 1.3 it is stated:**

"In reply to Unstarred question No.4969 in the Lok Sabha on 27.3.92, the Minister of State in the Ministry of Finance, stated, The share prices have shown rising trend during the last nine months due to market factors including the recent liberalised policies of the Government .... The increase mainly on account of expectations of investor generated by the rise in the level of foreign exchange reserves and the improvement of overall economic environment"

This is not one stray observation; that was the considered reaction of the Government of India at the highest level. The Finance Minister has stated in Parliament on 4th May 1992:

"...the increase in prices shares of companies listed on the stock exchanges was on account of several factors including the expectations of the investors generated by the improvement of overall economic environment and the level of the foreign exchange reserves."

To quote him further, he said:

"... the Indian economy and the capital market are quite large and capable of absorbing fluctuations in prices on the stock market. There is no cause for undue alarm, Government is keeping a close watch on the situation."

And he said his sleep was not disturbed. Therefore it was not a stray observation. Repeatedly the Government has been taking up the stand that this is the benefit of our policy.

If you kindly come to para 16.16 about the Committee's finding of what is wrong:

"The Committee are inclined to conclude that despite MoF being aware of what was happening in the stock market did not address themselves seriously to check the unhealthy trend believing this phenomenon to be a beneficial consequence of their policy. Even after holding the market behaviour as unreasonable, the MoF did not act decisively in the matter."

Because this is now being said. Otherwise I would not have gone to these details.

Please see Para 16.61:

" For the MoF to have asserted that the rising share prices in early 1992, was among other things, a consequence of the liberalisation policies was misplaced."

Than Please see the Committee's observation in sub-paragraph (c):

"Effective regulation was hindered by the prevailing atmosphere in the Ministry that what was happening, far from being bad for the economy, was a refiction of the success of the new policies. Its failure to ensure adherence to its own instructions contributed significantly to irregularities in the securities and banking transactions.

(d) The Committee regret to observed that the MoF could have exercised much closer supervision of the entire securities and banking transactions. Had that been done, the subsequent disorder in our economy, could have been avoided."

This is the unanimous report and let us not forget that amongst the Members of this Committee, there are very strong proponents of the new policy. Here, I find Shri Murli Deora, the hon. member from Nariman Point, representing what Nariman Point represents in this country.

In this Committee, there have been very strong supporters of the new liberalisation policy; I am sorry, even then, they have agreed to this report. They could not find any fault with the findings of the Committee. Liberalisation cannot be a *mantra*, ... that like a *mantra*, you utter, "liberalisation oand globalisation", and all your difficulties will be solved. We have not been told anything according to the Govern-

ment, except the so called systemic failure. Till today, we have not been told as to what were the reasons for this magnitude of loot, magnitude of financial dacoity or robbery. Everybody failed to do it; and the Committee, in spite of the Government's reluctance to explain anything, had laboured hard to find some basis for this; and now you decry the report and say, " Well, no, no; I was not guilty of moral turpitude; therefore, it was just a withdrawal syndrome or symptom". It is a very dangerous theory that is being propounded on behalf of the Government of India. Then, everybody is exonerated, from the Ministers downwards, on the basis of the 'withdrawal syndrome and nobody will be responsible. Then you can ask, " What can we do, because we have introduced liberalisation into this country and because we have introduced globalisation in this country? Therefoe, it will inevitably result in this type of scam. Sir, God should save us. if you believe in God. I do not know whether he can even do that.

THE MINISTER OF STATE OF THE MINISTRY OF ENVIRONMENT AND FORESTS (SHRI KAMAL NATH): Do you believe? (*Interruptions*)

SHRI SOMNATH CHATTERJEE: No. I do not. I am asking him on your behalf. (*Interruptions*) Unfortunately, you are still there. (*Interruptions*) That is why, the Committee was compelled to give this unanimous report. I cannot help reading it. They are dealing with the hon. Finance Minister, Sometimes, he is very graphic in this observation. He has control over his language. I quote and he said:

"Our strategy has been tow fold. First to release the entrepreneurial spirit and animal energy of our businessmen, industrialists and entrepreneurs to create wealth...."

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To this the Committee's response is this and I quote:

"The predatory instinct inherent in a system of free enterprise, does release the entrepreneurial and animal energy."

If properly directed, it can do a lot of good to the economy.

But, to make the process of liberalization a success, it is necessary to have strategic checks and effective implementation of regulations. While the mood of the Government is upbeat on liberalisation their orientation towards strict enforcement has yet to manifest itself. Deregulation without effective checks and balances would be an unmitigated disaster."

And, Sir, this is precisely what has happened.[*interruptions*] I will have something to say about him a little later.

We would like to know Mr. Salaman Khurshheed obviously has been very carefully selected to be the opening batsman. He has accepted the report. I take it that the Government of India accepts this part of the report unhesitatingly. If you do that, then you must take the necessary follow up action. But, not one word has been said about that.

By May, June or July, 1992, the Government of India was forced to admit, particularly in view of the Janakiraman Committee Report, that unscrupulous brokers in collusion with certain bank officials had manipulated securities transactions of banks. This was the Hon- Finance Minister's admission. He had lost some of the euphoria and had to come and admit that it was due to some collusion. There was unscrupulousness in the securities market and the bank officials has also taken part in manipulation.

ulousness in the securities market and the bank officials has also taken part in manipulation.

In paragraph 1.11, this was a clear admission by the Hon. Finance Minister. On this basis, there is a reference to the Finance Minister's statement. It said:

"The 'unscrupulous brokers' in collusion with certain bank officials had manipulated securities transactions of banks and financial institutions for their own purpose in a variety of ways and in clear violation of the established rules..."

This is most important :

"...clear violation of the established rules, guidelines and prudent business practices."

Because of that, there was a demand on the floor of this House on our side that there should be a Joint Parliamentary committee to go into this. We congratulated the Prime Minister then for having come to the House and accepting this demand—almost unanimous demand of the Opposition in spite of love of the party of Mr. Advani for the new economic policy. I quote the hon. Prime Minister:

"I feel that there is a need for a comprehensive inquiry through the instrument of Parliament which not only fully establishes parliamentary supremacy but also provides an effective safeguard to protect the country's interests. I am requesting the hon. Speaker to proceed with the formation of a Joint Parliamentary Committee and entrust it with the task... I would like to assure this august House that my desire and purpose remain as they have been so far to a vibrant economy in the larger interest of the nation."

Now the cause of the scam has been identified. The dramatis personae have been identified. Apart from those, who are personally involved, have direct responsibility. There is a question of political accountability. There is question of moral responsibility. Now how does this Government propose to fulfil this? How does our hon. Prime Minister propose to fulfill his assurance on the floor of this House where he talked of parliamentary supremacy? Will parliamentary supremacy be maintained by denigrating the findings of this Committee, by denigrating all the work that has been done by the unanimous report with all the difficulties? I cannot but congratulate this Committee. With all the difficulties—lack of machinery and lack of information being given—they have done yeoman service for the maintenance of parliamentary democracy in this country. We shall be failing in our duty if we do not repeatedly acknowledge it.

Now that the JPC has given its report and many important recommendations have been made, the least this Government can do as to accept the same and implement the recommendations seriously, sincerely and as expeditiously as possible.

A group of most important findings relate to the role of the foreign banks. Mr. Vajpayee has rightly referred to that. Now I should have thought foreign banks are here not on their own right but they should be allowed to play here in our own interest. It cannot be the interest of the foreign countries, the foreign institutions. But does the presence of foreign banks help our cause, help our economy? That should be a crucial test. But it is found now that these foreign institutions have indulged in questionable deals.

Knowingly, they violated the laws of land. As I said, all these were done under

the very nose of the Reserve Bank of India and the Ministry of Finance. Should this country be open, in the name of liberalization and globalization, to the escapades of these foreign institutions who are interested only in repatriating money from this country, making profits by hook or crook? What is their credibility so far as our country is concerned? What is their attachment to our country's interests? I would like the hon. Prime Minister and other Ministers to tell us.

I am reading the summary portion on how the four foreign banks behaved. I am not naming them; they are already mentioned. Let me read para 8.5.

Some of these foreign banks have been deeply involved in irregularities in securities transactions. They have acted in an unbecoming manner, indulged in large scale security deals highly disproportionate to their normal requirements and in the process not only violated RBI guidelines, but also their own set procedures and *prima facie* the laws of the countries of their origin. In the process, they have thrown overboard all principles of prudence and safety in management of funds of constituents who have reposed faith and confidence in them. The Committee know that the foreign banks indulged in the issue of BRs without receipt of money or securities, exchanged BRs, issued consolidated BRs, indulged in issue of BRs even where SGL facilities were provided, etc."

Let me now quote para 8.15:

"All the four foreign banks examined by the Committee have entered into large scale ready forward deals with nonbook clients in non SLR securi-

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ties, any securities which are prohibited in the country."

Now I come to paras 16.38 and 16.39:

"Examination by the Committee has revealed that many of the foreign banks have been deeply involved in irregularities in securities transactions. With their tremendous resources, there undoubted clout..."

Here every word is extremely important.

"With their tremendous resources and there undoubted clout, there aggressive policies and posturing, they can, if they choose, play havoc with the economy.

The very fact that such an important indicator as non-achievement of target of lending to the priority sector has been taken up by the Ministry with the RBI only on 18th January 1993, clearly brings out the deliberate lack of action on the part of the Government to bring the foreign banks in line with the policy of the Government."

The JPC have necessarily recommended that penal action should be taken against these foreign banks if they do not fall in line with our banking policies.

Now, when all this was happening what has been attitude of the Reserve Bank of India? I may read another para:

"The committee have noted that the foreign bank have treated the RBI in a casual manner. Even our Central

Bank is treated in a casual manner. Exchange of correspondence between a particular bank and the RBI provides an illustrative case."

Now I come to para 15.79:

"while it is obvious that the Central Bank of the country has been taken lightly by the foreign banks, there are unfortunately no traces of strong action against them."

Now I would like to put a question. Who was ruling this country? Is it the foreign banks or the Ministry of Finance or the Reserve Bank of India?

Who had the authority and who was in the driver's seat?

Now, you come to the attitude of the Reserve Bank. In paragraph 15.80, it is said and I quote:

The Committee have to comment upon the casualness with which a particular foreign bank persistently responded to the queries of RBI. It prevaricated, answered partially or inadequately, perhaps deliberately and never had a ready response to the requirements of the Central Bank of the country. Unfortunately, the Committee have also to observe of the loss of authority that the RBI has brought upon itself. The Committee have no doubt that no foreign bank would have responded with such indifference to directions, queries from the Central Bank of the country of its origin."

I again quote:

"It is the excessive accommodation show to foreign banks by top management of RBI that imparted arrogance to these banks to describe as

'market practice' what was in fact a blatant flouting of RBI guidelines, directions. The foreign banks eventually emerged as the originators as also the biggest players in the scam."

The Committee note finds that because of the fragile foreign exchange situation and the BOP crisis, the RBI had not been assertive enough in the action taken against the foreign banks. Both the RBI and the Ministry of Finance by not taking deterrent action against them early enough enabled the foreign banks to exploit the situation and commit large scale irregularities in total violation of the guidelines laid down by the RBI. In fact the Governor, RBI has gone on record to say that for the past failures we have to take action against them. The Committee recommends that such deterrent action be taken without any further delay. I would like to know what would be the response of the hon. Members to this finding.

We are led by the nose by the foreign banks. They have become arrogant. They are dictating terms to us. They care two hoots, I wonder whether it is a Parliamentary expression or not. About our Central Bank's directions and decisions, they did not even bother to respond to their queries. According to the powers that be, our new 'messiah', we cannot afford to ignore the foreign banks. They will bring in dollars for us. This is the subservience of the kind which strikes at the very foundation of our economic sovereignty, our prestige and dignity as an independent nation that we have to depend on the good wishes of some foreign banks to implement the so called policy of liberalisation and globalisation.

Sir, I shall be failing in my duty once more if do not repeat my great admiration

for the excellent findings that all the Members of the Joint Parliamentary Committee have unanimously arrived. On this basis a recommendation has been given, which is given at paragraph 8.72. I quote:

"The Committee desire that special scrutiny may be carried out by the RBI in all foreign banks involved in the recent irregularities and the question of disallowing repatriation of profits through irregular securities transactions and other malpractices be considered. It is necessary that stringent penalties, including suspension of their licences, are imposed on these banks keeping in view the extent of irregularities indulged into by each of them. Legal action should be pursued both in India and the foreign country concerned."

I would like to ask the Government, as Shri Salman Khurshid has said that his party accepts the Report, will it not implement is recommendation of the JPC?

Mr. Speaker, Sir, I will try in my imperfect way only to stress on some of the glaring findings in a sense, that the way the industrialists are functioning, is an eye-opener to us.

Sir, there is no more important organisation in our country so far as our economy is concerned than the RBI. This is what the Committee says and I quote:

" Paragraph 15.9: The Committee are astonished to note that the Board, overloaded with representatives of industries and business, is still continuing well beyond its normal term of four years and a decision on its replacement is still to be

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taken."

Whose job is this? Is it the job of the Under Secretary or the Section Officer to take a decision about filling up the vacancies in the Reserve Bank of India? Whose obligation is to find out that there is adequate representation of persons other than the industrialists, who are monopolising the benefits of our banking system?

As already read out by Mr. Vajpayee, that out of 49 meetings of the Central Board, the Government nominee, who is no more than the Secretary (Economic Affairs), he only could find time to be present in 15 meetings. So, what is the good of keeping the Secretary (Economic Affairs) in the Board of the Reserve Bank of India? What is supposed to be his role? Was his role just to remain away from the meetings by not caring of as to what is happening in the Reserve Bank of India and by not keeping the Government posted with the happenings in the Reserve Bank of India? We are told that at that level there was a "systemic failure".

You see Para 15.10 and I quote:

"The Committee notes with concern that the irregularities in securities transactions in banks that have surfaced as early as in 1986 did not engage the attention of the Board despite the fact that the scrutiny Reports, the efforts of banks etc. some names of the banks have been mentioned and the Annual Reviews in 1990-91 of the foreign banks have brought out serious irregularities in the operations, malpractices in securities transactions and violations of Reserve Bank of India guidelines."

It is very good to say, that the New Economic Policy is supposedly the nightmare of the Opposition. Sir, we have said that if the country prospers or benefits, do it. You are in power. We cannot stop you. You are also not listening to us. Sometimes there is a pretention of listening to us but you do not generally listen to us. You do not act according to our suggestions. You are having your own way. Mr. Prime minister and Mr. Finance Minister we would like to see where you have prospered. We would like to know how many jobs have been restored in this country or how many foreigners have come here from whom we are going to purchase what we eat in the morning sometimes - I do not eat it but Mr. Murlidhar Deora sometimes does the corn flakes. These are the people who are being welcomed in the country.

That is why, the JPC came to a finding that the Central Board has failed to discharge the responsibility ensured on it to see that the Reserve Bank of India functions properly.

Then, Sir, I come to Para 15.32. I quote:

"By not taking concerted action in the bouncing of the SGL forms of two important Departments of the Reserve Bank of India headed by two Deputy Governors principally concerned with the SGL displayed insufficient concern in the matter contributing greatly to subsequent damage to the system.."

"...It is this gross dereliction of duty in PDO and DBOD which greatly contributed to this scam."

Who is responsible? Am I or the Members of Parliament responsible for this? Then what is the good of having Ministry of

Finance? Leave it to them in the name of autonomy. Who is responsible for the over-seeing of the functioning of the Reserve Bank of India in this country or of the nationalised banks in this country?

Sir, we are being told of a dream. Pt. Jawahar Lal Nehru also had a dream, Shrimati Indira Gandhi also had a dream, we also have a dream. Those dreams are all forgotten. Now those dreams are nightmares for them. The dream of a nationalised banking system, the dream of a nationalised insurance system, the dream of a nationalised core industry system in this country have become anathemas to you. But those are the dreams also.

Now these new messiahs have come and these messiahs are now putting this country into this position where the Parliament of India have to have a special session to discuss this scam report. You do not feel ashamed of it. Not a word of regret has been expressed so far. For 6-7 days, newspapers and the media are speculating as to what is happening in the Prime Minister's house, what is happening there. After all, what can we say, we are too small. Who takes us into confidence? Although it is a Joint Parliamentary Committee report, the opposition is not taken into confidence. Did you discuss with the opposition as to what has happened to this country? How can this report be given effect to or what are the things which should be looked into immediately? But the country as a whole, the nation as a whole, Parliament as a whole, you do not do that. You treat it as a partisan issue.

You are talking of 6th of December, Mr. Salman Khursheed. Where were you for eight hours when that structure was being demolished piece by piece? Where was your Prime Minister? Where was your

army? Where was your BSF and CRPF? [Interruptions]

SHRI P.C. CHACK of (Trichur): Real assessment of the JPC Report.

SHRI SOMNATH CHATTERJEE: Yes. Look into yourself. We have condemned them. They stand condemned before the bar of history. But you are abettors of that crime, therefore, do not lecture to us.

Sir, in paragraph 15.59 the Committee says:

"The committee finds that in almost all cases of follow-up of inspection report by the RBI that have been examined by them, there have been inordinate delays in finalising and forwarding the inspection reports and pursuing them with the banks for compliance.... The Committee are highly perturbed over the fact that while junior officers of the Bank have been pointing out numerous irregularities in their reports, the top management of the Bank failed to act over a period of several years."

Then it says:

"No one at the level of the Central Board, the Governor or the Deputy Governor appears at any time between October 1986 and March 1991 to have addressed the problem with the seriousness it warranted. As things went the country had to pay a heavy price in thousands of crores of rupees for the lapses on the part of the RBI top management during the crucial years."

I am trying to be as brief as possible. In paragraph 15.149, it says:

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"The Committee are constrained to observe that it was the top management of RBI which was wholly responsible for RBI's contribution to the scam. If the RBI had not turned a blind eye to the massive irregularities in the banking transactions between the period July 1991 to April 1992, when thousands of crores of bank funds were diverted to the stock market it would not have been possible for some brokers to play havoc with the system..."

"...The Governor of the Bank during this crucial period must be held no less responsible. The suggestion to treat the foreign banks differently, the delay in the issue of the Circular of July 1991, failure to incorporate all the deficiencies noticed even in this circular, and the absence of any follow-up action subsequently, the delay in the issue of the discounting circular for 22 months, his recommendation to appoint people in top positions is proved to be a liability, the subsequent display of unusual interest in the account of HSM — Harshad Mehta — his acts of omission and commission cannot be overlooked in any of their ramifications."

Then, I am quoting para 15.150:

"The RBI has signally failed as a regulatory and supervisory agency necessitating a thorough overhaul to restore the position and authority of RBI at the pinnacle of banking system. And that is why this Committee is constrained to make a recommendation that a separate board of financial supervision should be created under aegis of the RBI to ensure effective supervision

of banks.

Will nobody be responsible for this? Is there no political accountability; Is there no moral responsibility for anybody? And, Sir, I most humbly request the Prime Minister that he cannot avoid now intervening in this debate, because certain theories are being propounded on behalf of his party and by a Minister, for that matter. When we read direct moral turpitude of the person concerned there is no question of accountability.

Well, one can indulge in many cover ups to avoid disclosure of moral turpitude, I do not know how to find it out.

Sir, in this context, when the Report has found that the RBI was responsible for this scam and had largely contributed to it, let us come to the Finance Ministry's role now.

Before I come to the Ministry of Finance, one more sentence, I am sorry, I omitted, is with regard to the banking sector. The Committee finds:

"The irregularities in the banking sector have revealed that there has been a large scale violation of RBI guidelines and instructions. For these violations it is possible to impose penalties under the Banking Regulation act."

That is their recommendation. We are waiting to see what happens.

Now, let us come to the Ministry of Finance. Sir, the Joint Committee has said in its unanimous finding:

"The Ministry of Finance failed to anticipate the problem, to respond to its very purposefully when it first sur-

faced, failed to manage adequately thereafter the consequences of it, failed to apply the needed correctives to despatch and punish the guilty in time and resolutely."

These are very damaging findings. Today, what is the response? This Report was submitted on the floor of the House on the 21st of December. Of course, not many days have elapsed. Eight days have elapsed. But in the face of these unanimous findings eight days should be sufficient. When we appreciated the gesture - I hope it is not only a gesture - of Dr. Manmohan Singh to submit his resignation, the Prime Minister is doing injustice to him in asking him to continue. I am sure we can use his expertise and talent in many other fields. but at least the moral accountability will be restored. People's faith in Parliaments supremacy which the Prime Minister stressed on the day the JPC was decided to be constituted, that Parliamentary supremacy will be enshrined. That is why I salute Dr. Manmohan Singh. Please do not give him a colour which he does not deserve, that he is a shirker. Do not make him a shirker, for the sake of him, and for the sake of the country as a whole. I do not have any particular pleasure in seeing him go away from the Finance Ministry. Somebody much worse may come, because there is a dearth of talent there, I know, unless the Prime Minister thinks otherwise; we are hearing some names.

Dr. Manmohan Singh can sufficiently give suggestions and advice to whoever may be the new Finance Minister, if at all. *(Interruptions)*

THE MINISTER OF COMMERCE (SHRI PRANAB MUKHERJEE): I was Finance Minister for three years. Do not forget. *[Interruptions]*

SHRI SOMNATH CHATTERJEE: What?

SHRI K.P. UNNIKRISHNAN (Badagara): He said that he had been the Finance Minister for three years. *[Interruptions]*

SHRI PRANAB MUKHERJEE: That is enough.

SHRI SOMNATH CHATTERJEE: Very good. Sir, I am obliged to the Commerce Minister. Enough was enough for you. Now, enough is enough for us.

Sir, I was once again reading the South-South Commission's Report. Of course, he has been made to forget. I do not know, for what?

Sir, serious comments have been made about the Finance Ministry's role. They had expressed the hope, they had expressed their wish that when cataclysmic changes were taking place, some alarm would ring to disturb his slumber. It may not have been very fair. But I am sure, he takes it in the spirit with which it was given.

Then, paragraph 16.16 says:

"The Committee are included to conclude that despite the MOF being aware of what was happening in the stock market did not address themselves seriously to check the unhealthy trend believing this phenomenon to be a beneficial consequence of their policy. Even after holding the market behavior unreasonable, the MOF did not act decisively in the matter."

What more condemnation can there be?

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Then, paragraph 16.18 says:

"A perusal of the reply given by the Ministry to a query of the Committee reveals inordinate delay at various levels, total indecisiveness and utter lack of urgency in dealing with a matter of such importance. The Committee has expectations of some remedial action even at this stage."

Then, paragraph 16.19 says:

"The Committee must also comment that this existing Board as a predominance of representatives of industrial sector."

Then, it has been commented that the MOF did not fill up 28 vacancies for the posts of Chairman-cum-Managing Director and Executive Director since July 1991. And out of them, only 16 had been filled up as on date. Out of the remaining 12 vacancies, six are of CMDs and six are of EDs. This is the position.

Then, I come to National Housing Bank. It is a wonderful situational. Paragraph 16.42 says:

"The Committee takes serious note of the inordinate delay in the constitution of the Board of NHB, which was affected the functioning of the bank and resulted in gross misuse of the funds of the bank as discussed elsewhere. As of date, NHB is saddled with claims of more than Rs.1200 crore by several banks/financial institutions. The reasons advanced by the Ministry for the inordinate delay of almost three years in

the constitution of Board are not convincing. This is another instance where the Ministry has displayed lack of seriousness.

The Committee find that no inspection has been conducted of NHB since its constitution. In fact it is noticed that there exists presently no system of inspection of financial institutions. Since these institutions are entrusted with huge public funds, it is imperative that a mechanism for periodic inspection of these institutions be desired by the Government."

Then, paragraph 16.45 says:

"...the Committee cannot but comment adversely on this practice in which everyone from the MOF to the parent Ministry of the PSU, the undertaking itself and the management, and of course the banks have engaged in a make believe exercise of raising funds from the public for meeting development requirements but did nothing of the sort. It is such systemic deficiencies that have allowed irregularities to surface, persist and remain unrectified."

The Committee says in para 16.46 and I quote:

"This hoax was perpetrated on a number of occasions and over the years."

It is a hoax and this country is being taken for a ride. I continue to quote:

"The Committee find this as a serious transgression by the Government in the discharge of its supervisory responsibilities, as indeed in the fiscal management of the nation's

economy. Further the Committee have sufficient reason to believe that placement of PSU funds became the single great contributor to the Scam. What the Committee finds as condemnable is that all this was public money and all who were playing with it were public servants."

Sir, I quote para 16.49:

"The Committee are of the view that by disposing of the shares before their listing on stock exchanges the condition 15 imposed in the guidelines by the DPE has been violated."

The hon. Finance Minister had made a distinction that he has found direct responsibility in the areas of revenue and expenditure. The Committee says in para 16.62 that the Finance Minister cannot be held responsible for administrative failures or management deficiencies in the case of individual banks and other financial institutions. The Committee feel that such a distinction cannot be sustained by the constitutional jurisprudence under which the parliamentary system works.

I would like to know what is the other theory you propound that has a scope and ambit of the parliamentary system functioning that the Government Ministers have no responsibility whatever may happen to the banks which are under the direct control of the Ministry of Finance. Whatever may happen in the Reserve Bank of India, you have no responsibility and that is why the committee has not been able to agree to that.

The para 16.63 says and I quote:

"The principle of constructive ministerial responsibility is equally applicable to other Departments and Ministries where

acts of omission and commission have taken place in the discharge of function and duties at different levels."

Therefore, the failures of the Ministry of Finance cannot be denied. That is my humble submission. This is very clear from the Report of the Joint Parliamentary Committee. Well, certain consequences follow inevitably, they follow, what can be done? But, please do not put all these things under the carpet. Please do not ignore all these things. Please do not trot out a new theory of accountability which will strike at the root of the parliamentary democracy in this country and the functioning of Parliament in this country.

Well, somebody may have to made sacrifice as Keshavev Malviya had made sacrifice as Lal Bahadur Shastri had made sacrifice and as even Madhavrao Scindia has made sacrificed. And now just because you have to make a sacrifice that does not mean that the parliamentary democracy in this country will come to an end. Do not make yourself inviolable; do not make yourself indispensable. No individual can be above the country; no individual can be above this Parliament. I am sorry to say all these things because a concerted attempt has been made to put some individuals however expert and talented they may be to put them above everything in this country. Supposing tomorrow Dr. Manmohan Singh has change of heart and says that he does not wish to be in the Government and he does not like these politicians. Sometimes, he has expressed that he is nouveau politician. Therefore, supposing he has a change of heart then this country will go to dogs. Sir, I should have, of course, said further also.

Then about the public sector under-

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takings, Shri Vajpayee has referred to some of them- the great contribution this sector has made. Nobody seems to be accountable when they have been functioning under the overall control of the Prime Minister of India.

And here also it seems as if some scars of compromise are appearing. These are some scars of compromise. You could not mention the name of the hon. Prime Minister anywhere. You have not referred to many Ministers. You could not refer even to the issuance of shares in FFSL which were issued to the then Minister at a lower price... [Interruptions].

I wanted to avoid a more explicit reference but since it is being challenged, I shall read out para 6.60. Probably Mr. Chacko has forgotten what he has signed. I quote:

"The Committee wish to underline that FFSL seem to have perfected systems to circumvent all the rules and regulations. It sought to influence public servants-which includes Government Officers and Ministers through inducement including that of offering its high value shares at face value. FFSL provided the perfect conduit for collusive activities between broker and banker."

Does this cap fit anybody's head? You are a signatory to it...[Interruptions].

So far as public sector undertakings are concerned, para 14.5 says:

"The examination of various PSUs by the Committee revealed serious irregularities in their investment

transactions. For instance, as against the Government instructions to make investments only in Government securities, public sector bonds, treasury bills, PSUs through banks/finance companies in the guise of PMS entered into ready forward deals without taking physical possession of securities on at least the details thereof with banks/financial companies at market driven rates. In many cases, the funds of PSUs have been diverted to brokers and used for purchase of shares of private sector companies in violation of Government guidelines. PSUs had also entered into such transactions with foreign banks prior to January, 1992 i.e. before they were permitted to have even normal banking transactions with them."

The Committee are surprised to note that while the Director of Public Enterprises played an active part in permitting PSUs to have banking transactions with foreign banks, they did not consider it their duty to monitor them. Then, in para 14.21, they say:

"The Committee note that the PSUs were the single largest source of surplus investible funds around Rs. 36,000 crores between April, 1990 and December, 1992 only. In the investment of these funds guidelines and instructions were routinely flouted and no norms were observed. Neither DPE nor the Ministries concerned took any steps to ensure the compliance of their guidelines."

"The committee are of the view that it is the duty and responsibility of Ministries who issue guidelines to ensure their implementation, Further, nodal Ministries who have been entrusted with the overall supervision of the various agencies under it are

also expected to monitor the guidelines/instructions issued through them. The Committee feel both DPE and the Administrative Ministries have failed in their duties and this failure permitted certain individuals to play with the funds of PSUs by irregularly investing them with foreign banks etc. in contravention of all Government guidelines/decisions."

Then, Sir, para 14.81 says:

"The Committee find that there have been large scale contravention of statutory provisions and rules/regulations regarding financial matters. It is regrettable that these contraventions were not detected in time by the top management and the Government nominees on the Boards.

"At least now an enquiry should be held and responsibility fixed on officers who indulged in these malpractices and irregularities."

The Government Directors did not discharge their responsibilities as expected. In a large number of cases, funds of PSUs given under PMS had been used for purchase of shares of private companies and funds of PSUs were irregularly used in call money market through banks or passed on to brokers for speculative purposes.

Sir, I believe Mr. Pranab Mukherjee will reply and I request him to kindly listen. In paragraph no. 14.121, the Committee says:

"After examining these cases, the Committee have been driven to the conclusion that these irregularities were not occasional aberrations, but had become an integral part of the system. The irregularities were known to the authorities and yet not corrected. Inevitably and not surprisingly the unscrupu-

lous elements exploited the situation for their illegal enrichment. In the process, it was the common man and the economy of the nation that have paid an enormous price."

Sir, I cannot avoid reading out the names of PSUs. They are, ONGC, OIIB, Air India, Vayudoot, PFC, IRFC, KRIBHCO, IFFCO, etc. We all know who are the Ministers and we would like to know the responses from those Ministers also. In this context, what Mr. Rameshwar Thakur has done is a flea-bite, I agree. Therefore, in unison with the hon. Members of the JPC that all persons connected with these PSUs including the Ministers in the nodal Ministries are liable to be proceeded against and should be held responsible; sooner this is done, the better.

SHRI ABDÚL GHAFOOR (Gopalganj):  
Who are the persons who are left out?  
Please tell them that.

(Translation)

THE MINISTER OF STATE IN THE  
MINISTRY OF HUMAN RESOURCES DE-  
VELOPMENT (DEPARTMENT OF YOUTH  
AFFAIRS AND SPORTS) AND MINISTER  
OF STATE IN THE MINISTRY OF PARLIA-  
MENTARY AFFAIRS

SHRI MUKUL WASNIK: If you are not willing to tell us then atleast tell uncle Abdul Ghafoor.

[English]

SHRI SOMNATH CHATTERJEE: At least we can exclude Chacha from this.

Sir, another blot is the functioning of the investigating agencies in this matter. This is a tragedy. Many people swear by the CBI saying that they are the last word

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in the matter of investigation, in the matter of enquiry, detection of crime and punishing the guilty. This is the role of the CBI and this is such an eye-opener. In paragraph 17.11, the Report says:

"The Committee have observed instances of inordinate delays in making preliminary enquiries and non-registration of regular cases by CBI in spite of enough evidence to support it."

All the big names, all the big industrialists' names were involved in this. Then, in paragraph no. 17.41, the Committee says:

"The Committee regret to note that the CBI has taken a long time to register P.E. against the suspected individuals/officials who are involved in the leakage of information regarding coupon hike rate and disinvestment of PSU shares in advance."

By this process, crores of rupees were earned. These coupon rates were disclosed, but the CBI was sitting quiet.

Then, para 17.97 says:

"The Committee regrets to note the inordinate delays in investigation of the cases and lack of proper follow up action by CBDDT in scam related cases. In the case of HSM Group, searches were first carried out in September, 1990. Follow up action was, however, admittedly tardy. The Department failed to launch a single prosecution for various defaults and levied only a paltry penalty of Rs. 6.4 lakhs. No action was, however, taken against the officers responsible for

various lapses. Even after the second raid on this Group in February, 1992 there was lack of coordinated approach and no serious efforts were made."

The Committee had reluctantly come to a conclusion that there was lack of support and help and disclosure to the committee. The CBI has not cooperated with this committee. I should say, what is the hurdle? How do they dare to do that? JPC is sitting and asking for information. CBI which is just an ordinary investigative agency of the Government of India, functioning under the overall control of the Prime Minister of India does not even bother to supply necessary information on the specious plea that it would hamper the investigation. This House has given to the Committee the important duty of investigating into the matter. Some sort of snide remarks were made that "You have not been able to find out all the guilty persons. You have not been able to find out who are the ultimate recipients." How can do they that? Even all of us sitting together would not be able to do that without the assistance of expert agency like the CBI. Here, we find the hand of the big multinationals, big industrial houses in this country. CBI tardiness is to their benefit and not to the benefit of the common people. The beneficiaries are only those big business houses against whom charges have been there, complaints have been there. By the tardiness, by the inaction, by the dilatory process adopted by the CBI, which is supposed to be the most important investigative agency in the whole of this country, those persons have gone scot free. Either it is avoidance of foreign exchange regulations or avoidance of income-tax or avoidance of other direct and indirect taxes. The beneficiaries are not the common people but these big business houses. At the expense

of the common people, the most important investigative agency under the overall control of the Prime Minister of India, has acted to the interest of these persons who have brought our country to ruin. What more damaging comment can be made on the performance of this Government as a whole. Of course, I do not consider that this Government has any sense of prestige. It does not have. Otherwise, there would have been different reaction, different response to this matter.

Therefore, we demand in the context of the findings that there should be some independent audit agency like the CAG for the purpose of auditing of banks etc. Immediate follow up action should be taken; exemplary punishment should be given; and responsibility should be fixed. Without that, people will think that this Government is encouraging all these indiscretions, all these violations of law, all the crimes that have been committed in the name of changing the face of the Indian economy. Of course, political matters cannot hide themselves under any screen. They have to also lay bare.

There are some other very important issues which the Committee has mentioned but could not deal with it. I find

These are tracing of end-use monies to their final destination. It is no good blaming the Committee. They wanted to find out. But they could not get the support of help of any agency. Therefore, this most important thing, one of the most important things, tracing of the end-use money to the final destination, the recommendation of the Committee in this regard must be accepted and implemented.

Then about this change in the coupon rate hikes, how they come to know of it ?

this is also immediately to be looked into.

In the Goldstar affair, the Committee recommended that the matter should be inquired thoroughly by a joint team consisting of CBI, CBDT, SEBI, The Department of Company Affairs and RBI. This is the most wholesome recommendation that has been made. I do not know. I have a suspicion only why this could not be pursued more logically inside the committee. However this is the recommendation which should be accepted because there are sufficient indications of some *ghotalas*.

The Committee have come across various instances of close nexus between prominent industrial houses, banks and brokers.

This is the last paragraph, I believe, of this Committee's report. These must be looked into.

There is also another gentleman who is now under the cover of an important constitutional position he is now unfortunately occupying. He should not be also spared because he tried to subvert evidence and tried to procure false affidavits. This gentleman is referred to. I am not using his name [*Interruptions*]. This has to be looked into. It is also very important. As I said earlier, he is occupying unfortunately a constitutional office at the moment in a Far Eastern State of the country [*Interruptions*]. I do not wish to quote further but there are many other important subjects which have been dealt with by this Committee. I feel that ultimately, not this Parliament, but this Government is on trial. Never before this country had witnessed financial scandal of this magnitude.

As I said, we are told of lack of financial resources. when we went for Rs. 6,000 crores for IISCO's modernisation, our hon.

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Finance Minister could not oblige us. We were shown the door [*Interruptions*]. We are suffering supposedly from lack of funds and resources although the whole financial system in this country is flooded with money but our Government is supposedly bankrupt.

We have to borrow Rs.232 lakh crores from foreign funds for the development of our industries etc., for which we have compromised our economic sovereignty. We are unable to provide working capital to many of our public sector undertakings. They are closing down. Workers are not being paid salary. It has almost become a ritual for us and for some of the Members of Parliament to go to the Ministers for at least providing some money so that this concern can run, some money as working capital, some loans, some allowance, to be given by some financial institutions. We are told "Go to the BIFR and persuade them", the Bureau of Industrial Financial. When people are losing jobs and facing starvation on closure of industries, when the Government cannot provide food and jobs to all, a massive loot has gone on and our Government of India, with all its Ministers and paraphernalia, there is no dearth of officers, employees and agencies and, in some cases, with active participation, they successfully denuded common people of this country of their life's savings. Thousands and thousands of people have lost over Rs.3,000 crores, not the big industrial houses.

As Shri Atal Bihari Vajpayee has said, many of them withdrew money from their Provident Fund; took loan from their Gratuity Fund; sold ornaments, whatever little they had because they were told; "Look here! A boom has come. You will continue

to go on making money. why do you restrict yourselves to National Savings Certificates, for ordinary deposits, Investments ? Go to the Stock Exchanges; make money. Make hay while the sun shines"! But the sun has set too soon for the lighting of our Government

Sir, now I am putting this question: Should not anybody be responsible for this? should not the responsible suffer for this? Should not the Government of India and its political wing suffer for their active and passive responsibility? I sincerely feel that parliamentary Democracy and accountability will be reduced to a mockery if the guilty in this case go unpunished. Let not a handful of - I am sorry to use this strong expression - cheats and their cohorts under the cover of ministerial and bureaucratic authority enjoy their ill-gotten gains by misappropriating funds and assets belonging to the common people.

Mr. Speaker, Sir, we are no longer at the stage of mere complaints and allegations. Thirty hon. Members of Parliament, after laborious and painstaking exercise have come to certain findings which disturb the nation's conscience because of the nexus that it has disclosed with the powers that be. For the sake of honesty and probity in our national life, for the sake of credibility to the world at large, for the sake of maintenance of Paramilitary supremacy in this country and for our own accountability to the people, let those responsible be punished and those who are fountainhead of corruption perish.

MR. SPEAKER: Now I call Shri Chidambaram to speak.

SHRI SHARAD YADAV (Madhepura):  
Sir, what about lunch break?

MR. SPEAKER: I think it was decided in the meeting that we may not have Lunch break today.

SHRI LAL K. ADVANI (Gandhi Nagar): It is just a proposal.

MR. SPEAKER: Well, let us have a brief Lunch interval. Maybe, we re-assemble at 3 p.m.

*The House stands adjourned to meet again at 3 p.m.*

14.12 hrs.

*The Lok Sabha then adjourned for lunch till fifteen of the clock.*

15.02 hrs.

*The Lok Sabha re-assembled after Lunch at two minutes past Fifteen of the Clock.*

[MR. DEPUTY-SPEAKER *in the Chair*]

DISCUSSION UNDER RULE 193

**Report of the Joint Committee to enquire into irregularities in securities and Banking transections- Contd.**

[English]

MR. DEPUTY-SPEAKER: Shri Chidambaram to speak.

SHRI P. CHIDAMBARAM (Sivaganga): Mr. Deputy-Speaker, Sir, about 18 months ago, when the Joint Parliamentary Committee was set up. I was a part of the group which was called to draft its terms of reference. In the 18 months that have passed, may of us have, I am afraid, for-

gotten the terms of reference. In fact, the JPC itself or at least its Publication Wing - I say this in a lighter vein - seems to have not attached to of much importance to the terms of reference. I do not find the terms of reference anywhere in these two volumes.

SHRI SHARAD DIGHE (Bombay North Central): They are there in the Appendix, in Volume-II. [Interruptions]

SHRI P. CHIDAMBARAM: I stand corrected. It is there in Volume II.

Therefore, Sir, I think, this debate should now focus on what were the Terms of Reference to the Committee, what did they find and what is the Government expected to do.

Sir, we have heard Shri Vajpayee, the hon. Leader of the Opposition; we have heard Shri Somnath Chatterjee; both made thoughtful speeches but, I must say that my dear friend made one or two uncharacteristically thoughtless and careless remarks. The burden of the song appears to be to destroy the credibility of the Government and the credibility of the policies that it has declared and is determined to implement. In the case of Shri Somnath Chatterjee, I would have thought that his opposition springs from an ideological position; that I accept. But, sometime, I suspect, it also springs from an extreme prejudice against reforms and reformers; to that, I object. He took us in to great details in tothe Report and left us rather hungry.

SHRI SOMNATH CHATTERJEE (Bolpur): Sorry.

SHRI SAIFUDDIN CHOUDHURY (Katwa): Did you want more?

SHRI P. CHIDAMBARAM: I will not take the same amount of time as he took but, I would also have to refer to some details. And now that we have had lunch, I think there will be a greater sense of equanimity and tolerance.

SHRI SOMNATH CHATTERJEE: Let it not be sophomoric.

SHRI P. CHIDAMBARAM: Sir, look back at what happened in the eighties. The better part of the eighties was ruled by the Congress Party. But, there were also two Governments which followed the Congress Party and again, there were elections in 1991, when the Congress came back to power. In the eighties, in a decade, from 200 companies listed in the Stock Exchange, the number went up to 6,500. Our companies would raise, on any average, about Rs. 90 crore in the capital market every year. But, at the end of the decade, to be more specific, in 1991-92, they raised Rs. 5,741 crore. The number of people investing in stocks and share rose from 20 lakhs to 1.4 crores, a seven-fold increase. The daily turnover in the stock market rose from Rs. 15 crore in the first year of the decade to Rs. 332 crore, on an average. The capital market, those who are active players in the capital market, those who invested in the capital market, the volume of transactions, the scale of transactions, simply exploded in the eighties.

Who is responsible for this explosion? Surely not liberalisation. Indiraji suggested that we reform our economy; but she did not take the process very far. Rajiv Gandhi took a few hesitant steps: but he was stopped in his tracks. So what happened in the 1980s cannot be blamed at the door of liberalisation; that happened in a controlled economy, in a regulated economy under Governments which proclaimed that the

commanding heights of the economy must be controlled by the public sector; in a day and age when we all supported nationalisation of banks and did our best to ensure that nationalised banks rendered service to the people commensurate with the expectations of the people and when we had a plethora of laws.

In 1991 this Government announced a new economic policy. I am not going to debate the merits of it here; we have had a debate on it before and I myself had joined in that debate. In 1991 we opened up the economy, deregulated trade, delicensed industry, injected an element of competition in the financial sector, gave back large funds to the banking sector which was preempted by the Government under SLR and CRR. It now transpires that the system could not quite cope with the pace of liberalisation; the system collapsed.

Our case as very ably present presented by my dear friend Salman is that the system collapsed. Mr. Chatterjee charges and I believe he has a right to make that charge; the system did not collapse, it is individuals who were guilty, individuals were culpable, individuals were dishonest, individuals guilty mind, individuals were driving by greed and cupidity. There is a difference in the approach. But is it a difference which cannot be bridged? Is it a difference which cannot be explained and is it something that the JPC ignored? Presently I will show to you that JPC did not ignore this. The JPC admitted that as it was a systemic failure. The Government told the JPC, be that as it may, individuals who are guilty and culpable will be punished and the JPC accepted that statement of the Government also.

Let me spend a few minutes trying to tract the origins of the scam and to estab-

lish before this House and the people of this country that the scam is not a by-product of liberalisation; the scam is the result of a systems failure which goes back many years before the advent of liberalisation. Take the Augustine Kurias report. When was it given? It was given in October 1986. It is referred to in two paragraphs - paragraph 4.9 and paragraph 15.66.

The report said that the guidelines were issued in 1987 and 1988 regarding ready forward transactions, but the banks systematically flouted these guidelines even before the ink on the paper on which these guidelines were written had not dried. This was in 1987 and 1988.

Please consider, Sir, as to what the Committee said in paragraph 15.66. The Committee says.

"The manner in which the Augustine Kurias report has been dealt with is not an isolated instance of the way the RBI has been functioning. It is inconceivable that a relatively junior official of RBI should have been able to unearth such a long set of malpractices, unless there was a general knowledge in the system of the existence and persistence of these malpractices."

The malpractices not only existed, but they were persisted. Sir, who is responsible for the banks' flouting the guidelines in 1987 and 1988? What is it, if it is not system failure, going back seven years before the scam burst upon the Indian scene?

Take for example the Bank of Karad. When did the Bank of Karad begin to indulge in irregularities? The answer is given in paragraph 5.6. It says :

"As pointed out in its successive inspection reports of RBI since 1986 Bank of Karad had been guilty of several irregularities and malpractices "

That was in 1986. Take the Metropolitan Cooperative Bank for example. It had two clients. One is Dhanraj Mills Private Limited which opened a current account on the 15th of March 1991, before this Government assumed Office; and the other is Excel and Company which opened it as account of 13th of December 1990, long before this Government assumed Office and long before liberalisation. This is what the Committee has to say on the Metropolitan Cooperative Bank. This is in paragraph 5.11.

"MCB had unauthorisedly issued 30 BRs on behalf of its two clients who were dealing in shares and securities, viz. Dhanraj Mills Private Limited and Excel & Company...Dhanraj Mills Private Limited and Excel & company on whose behalf the BRs were issued and the transactions put through, had opened current accounts with the Bank on 15.3.1991 and 13.12.1990 respectively. Before opening the accounts and before agreeing to issue BRs on their behalf, the Banks had not even cared to ascertain as to how long they were in business, who were their bankers, what was nature of their business resources and standing, etc."

This was in 1990 and in early 1991, long before liberalisation. Take for example the cases of non-banking financial companies, the subsidiaries of our nationalised banks.

I will give you just one or two examples. Guidelines were issued on the 2nd of May 1989. SBI Caps, a subsidiary of the State Bank of India, India's premier Bank in the

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public sector, during the period 1st April 1990 to the 31st of March 1991, in the year 1990-91, put through 13,930 transactions, in violation of these guidelines. There was no liberalisation then. During the period 1st of April 1991 to 31st of March 1992, preceeding liberalisation and after liberalisation, in the financial year 1991-92, 13,930 transactions multiplied to 34,953 transactions. The malaise was there. It deepened and continued.

There was an audit report in June, 1991 before this Government took office and nobody paid attention to it. I will give the example of another subsidiary - Canfina. There was an RBI inspection in March, 1991. Before that, on the 22nd of September, 1989, Canfina wrote to the RBI assuring the RBI that all its guidelines will be observed. The Committee has to say this in paragraph 6.21:

"The Committee have observed that CANFINA had been violating the guidelines of RBI in regard to PMS for long. It had been pointed out by the RBI who inspected it in March, 1991, that the Managing Director of the company had given a false assurance to RBI in terms of his letter,.... dated 22.9.1989, that the company had been accepting funds with lock-in periods of one year and over only. In many cases, it was observed during inspection that funds for a shorter duration had been accepted .... The RBI had, *inter alia*, pointed out several other irregularities.

Let me deal with another aspect of the scam which contributed to the scam- Portfolio Management Schemes. The first irregu-

larity surfaced in 1986. RBI scrutinised them in 1986. In August-September, 1989, RBI scrutinised the accounts of five banks; Canara Bank, Citibank, Vijaya Bank, American Express and ANZ Grindlays.

Substantial blame has been laid rightly at the door of foreign banks. But equally, blame must be laid at the door of Indian banks. Five banks were scrutinised in August-September, 1989. The bills of Vijaya Bank were specially scrutinised in January-February, 1990. What does the Committee have to say? The Committee's statement is in paragraph 7.21:

"The foregoing paragraphs make it abundantly clear that the misuse of PMS began in the mid-eighties and progressively increased to climatic proportions in 1991-92. In order to circumvent the RBI guidelines, Schemes under various nomenclatures were devised."

It started in mid-80's and reached climatic proportions in 1991-92.

Allow me to take a look at the foreign banks. They were doing ready forward deals. We have learnt about all this abracadabra about BRs, SRs, SGL and ready forward deals thanks to the JPC.

SHRI AMAL DATTA : Before that.

SHRI P. CHIDAMBARAM : Ready forward deals of the foreign banks were adversely commented upon by RBI for the first time in March, 1990 long before this Government assumed office, long before liberalisation. On the 1st of October, 1990, the Department of Banking Operations and Development submitted a special report on bill discounting. That is referred in paragraph 15.111.

On the 25th of March, 1990, there was an inspection of the Citibank.

On the 18th January, 1991, RBI issued a warning letter. On the 1st of February

1991, the Bank assured the RBI: it will not violate the guidelines.

All this was long before liberalisation, long before we opened up the economy.

What does the Committee have to say about brokers? The Committee says, banks colluded with brokers. There were several inspections, at least since 1986. This is what the Committee has to say in paragraph 12.55:

"The foregoing paragraphs make it abundantly clear that the banks, in general, colluded with certain unscrupulous brokers in a big way. They failed to evolve any clear-cut policy regarding the role of brokers... Regrettably, this had not been done even after the matter was raised by RBI during the course of inspections conducted in several cases in the past at least since 1986."

#### 15.25 hours

[MR. SPEAKER *in the Chair*]

Collusion between banks and brokers started at least since 1986. What about the stock exchange- another major player in the scam? The Committee has two very pertinent remarks to make. The first remark is in paragraph 13.27:

The Committee are actually not the least surprised to find that even after a decade, functioning of Stock Exchanges are still characterised by the very same malpractices that had been prevalent earlier.

Indeed, it has been observed by SEBI, in an extraordinary coincidence of phraseology, 'that the BSE is functioning as a private club of member brokers', and is characterised by 'lack of financial management, non-enforcement of market regulations, chaotic market operations and absence of proper marketing control.' The evidence before the Committee clearly indicates that the successive Finance Ministers and other supervisory/regulatory authorities have done little in the last decade to bring about the orderliness in the operations in the exchange held out as an objective to the present Chairman of JPC more than ten years ago."

Successive Finance Minister over a period of ten years could not bring about orderliness in the stock exchanges. That is the finding of the Committee.

There is another very pertinent remark in paragraph 13.40. And this is what the Committee says:

"The Committee note that irregularities in the Stock Exchanges are not of recent origin. They have been prevalent for quite sometime now.

Finally about SEBI, Non-statutory power were conferred upon the body when it was created in 1988. For 3-1/2 years, it was not given statutory status. This Government - this Finance Minister - promulgated the ordinance on the 30th of January, 1992 giving it the statutory status. The Committee noted this.

On the functioning of the RBI Board, Mr. Chatterjee mentioned that in 1991-92, the Government nominee found it possible to attend only 15 out of 49 meetings. There is record of worst performance. In 1988-89, the Government nominee attended six

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out of 28 meetings; 1989-90, three out of 36 meetings. on 1990-91, four out of 65 meetings, and in 1991-92, two out of 40 meetings. This malaise was a deep-seated malaise which goes back five years, six years, ten years.

If this is not systemic failure, what else is it? Is it the failure of an individual? Is it the guilt of an individual? Is it the culpability of an individual Minister? Is it the greed or cupidity of any individual which gave rise to this Malaise which goes back 10 years? I will take a few minutes to demonstrate that in page, after page, paragraph after paragraph, the JPC recognises the systemic failure.

Sir, let me quickly refer to the pages and paragraphs where the system failure is acknowledged. The famous paragraph 2.7 which is being quoted repeatedly says:

"The scam is basically a deliberate and criminal misuse of public funds through various type of securities transactions with the aim of illegally siphoning of funds of banks and PSUs to select brokers for speculative returns."

The Committee further says:

"The state of the country's system of governance, the persistence of non-adherence to rules, regulations and guidelines, the alarming decay over time in the banking systems has been fully exposed."

Paragraph 2.8 says:

"It is the view of the Committee, as detailed in subsequent chapters, that there are several dimensions of

this entire episode: the functional once concerns the banks, brokers, PSUs and Ministries, etc.

The Committee then blames accountability, failure of the supervisory mechanism and the absence of the moral quotient. In the chapter on banks, in paragraph 4.32. the Committee says:

After examination, the Committee are led to the conclusion that the BR system has been considerably misused."

In the chapter on non-banking financial institutions, in paragraphs 6.72, 6.73 and 6.74, the Committee says:

"Yet again the Committee do find it necessary to underline the self-admitted or the self-evident. Officials managing this fund were negligent, derelict in the discharge of their responsibility and committed breach of trust with investors. Apart from CMF, irregularities were also observed in the working of other mutual funds. The irregularities revealed during the course of inspection conducted by SEBI from August 1991 onwards were mainly as follows:-

- (i) Sale of units after the closure of schemes.
- (ii) Loans to brokers thereby exposing investors to avoidable risk:
- (iii) Poor maintenance of books of accounts and other records;
- (iv) Deliveries for purchase and sale of securities outstanding for long period;

- (v) Investment were made without any records of the basis of the investment decisions.
- (vi) Concealed lending to companies."

What is it if it is not a system failure. when the entire system of mutual funds, lending and borrowing had collapsed over a period of time ? In the chapter on portfolio management, let me refer to just a few paragraphs like 2.21, 7.22 and 7.23.

"The foregoing paragraphs make it abundantly clear that the misuse of PMS began in the mid eighties and progressively increased to climatic probations in 1991-92. The Committee also deplore the gross negligence and persistent failure of RBI to ensure effective compliance with its guidelines. Evidence led before the Committee makes it abundantly clear that these irregularities were a matter of common and general knowledge, in fact, this was defended as a normal market practice by banks. Little or none of this was done. Red alerts were ignore, ignored, reports consigned to the backburner, and market intelligence treated with disdain.

The Committee recommend that an indepth study be made of the whole system of PMS operation, so as to identify the weakness and remove the flaws."

In the chapter on monitoring and internal control of banks and subsidiaries, in paragraph 9.27, the Committee has summed up the deficiencies. Then in paragraphs 9.45 and 9.47, this is what the Committee says:

"The committee regret to note the serious weaknesses in the internal control systems of the banks.

The Committee find that there is no satisfactory mechanism in most of the banks to examine and follow up the observations /suggestions made in the reports by the internal inspection department, Vigilance Cell and Internal Auditor, etc.

Can go and on and read paragraphs pages and chapters to point out that in place after place after place , the Committee recognises that this is a failure of the system which dates back to ten years, to seven years and long before liberalisation .

Sir, there is one interesting paragraph, which I think I should read. [Interruptions]

AN.HON. MEMBER: It is a halfhearted defence!

SHRI P.CHIDAMBARAM: If you are a little more patient and tolerant, you will get more information.

I refer to the chapter on PSUs. Sir, all of us continue to believe that the public sector plays an important part in India's economy. But our experience has given rise to some amount of disappointment, some amount of thinking and some amount of introspection. I do not find fault with Mr.Chatterjee and people of his line of thinking who still believe that public sector can play a major role. We are more inclined to think now that without Competition, without accountability, with Government appointing public sector Managers and the public sector preempting large amounts of resources, it is bound to breed inefficiency as it has and it is bound result in inefficient production of goods and services as it has. Yet, there is an effort to save those public sec-

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tor organisations which have done well or which can do well. How did the public sector organisations behave during this period? What did the public sector do? The Committee have pointed out that on the one hand public sector companies were demanding and drawing budgetary support and on the other hand, they were investing their cash surplus in PMS with banks and even with foreign banks! How does one explain this behaviour? Why is it that years after cultivating and nurturing the public sector undertakings, the public sector behaved in a manner which can only be described as irresponsible and in a manner which flouted every guideline and every instruction given by the Government? What has the Committee got to say on the way the public sector behaved during this period? Look at para 14.56:

"The Committee have to, therefore, conclude that the mechanism of decision making in such an important area was most unsatisfactory. It is obvious that this needs reform immediately."

Again in para 14.80:

"It is, thus, noted from the above stated cases that the general control and direction which the Boards were expected to exercise were absent. There was neither a proper system of reporting such transactions to the Board, nor are the Boards directives implemented in letter and spirit."

And again in para 14.85:

"It was, thus, seen that the Government Directors who were appointed as nominees of the Government for

overseeing the work of PSUs in accordance with stated policies did not discharge their responsibilities as expected and remained passive witnesses to irregularities. In sum, the scheme of appointment of Government directors does not appear to have worked as envisaged."

Was the Government Director driven by cupidity? Was he driven by greed? Was he guilty, guilty in a criminal sense? We built a system. We failed to monitor it. And the system collapsed over a period of ten years. My friend, Shri Salman Khursheed has said there is something rotten. He has mentioned that there is something rotten. Go out to the people and ask them and they will tell you that there is something rotten in the system that we have followed the system that we have nourished in the system that we have cultivated and the system that we have supported.

Sir, in Chapter 15, the Report deals with the RBI. RBI comes in for severe criticism. I am not here to defend the RBI. Those who were in supervisory position in the RBI must take the responsibility. For what happened within the RBI is a revelation, is an eye-opener. It is a commentary on what happens in an institution which simply gets ossified over a period of years without fresh winds blowing, without new blood being injected into it and without new ideas challenging the conventional wisdom. What happened to an institution as revered and as respected as the RBI? There are three paras in the Committee's Report which I think are worth referring to.

The first is paragraph 15.49:

"The draft amendment to the Public Debt Act was submitted to the Government after a delay of six and a

half years in August 1992. The Public Debt Act in this country could not be amended for six and a half years from 1986 to 1992! This draft amendment also became unavoidable in the wake of the malfunctioning of the PDO becoming public knowledge."

And this is the Comment!

" There is something terribly wrong with a system of governance which recognizes as far back as 1985 that the Public Debt Act has been rendered obsolete, but requires such a long period to rectify obsolescence."

Do we blame ourselves for this? Do we blame the Parliament? Is the Parliament to blame itself that for six-and a half years, Parliament does not amend or the Government does not move Parliament to amend the Public Debt Act? There have been three governments during that period! We recognize obsolescence. But the system takes six-and-a-half years to rectify obsolescence!

You may please look at paragraph 15.110. I quote:

"When asked as to what action was taken by DBOD once the irregularities in Bill discounting came to its notice, the Chief officer stated, "We had prepared the detailed programme of action. We had put it up to the top management somewhere in October, 1990." Can there be a more telling commentary on the way we function? Irregularities are notice. An officer puts up a note. He is asked in 1992, "What did you do ? ' He says 'We put up the note to the top management somewhere in October 1990." The organisation is in deep slumber. The organisation sim-

ply is not alive and alert to what is happening around it. The organisation is incapable of responding in a meaningful manner to what is brought to its notice. Is an individual responsible, Sir or is it a collapse of the system? You might laugh away but the people of this country recognise that all of us who are a part of this system have let down the system for the past 10 years.

In Paragraph 15.150 the Committee recommends a Board of Financial Supervision and what does it say:

"The Committee find that despite an elaborate machinery available with the RBI for conducting inspections, scrutinies, reviews of the banks and a detailed mechanism to follow up shortcomings noticed in their working, the RBI has signally failed as a regulatory and supervisory agency necessitating a thorough overhaul to restore the position and authority of RBI at the pinnacle of our banking system."

Sir, who failed? The management audits failed, the statutory audits failed. Chartered Accountants, who are supposed to do audit failed. CVOs in the ranks of General Managers failed. Inspection reports were ignored. Circulars were ignored. Guidelines were ignored, SEBI failed. The RBI Board failed. All these failures are not and cannot be attributed to one point of time or to one person.

Sir, if people wish to glamourize the past, if there are people in this honourable House who wish to glamourize the past they are welcome to do so. I do not have to glamourize the past. In 1991, when this Government took Office, we recognised that there must be a thorough overhaul of our economic system and our economic policy. We com-

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menced a thorough overhaul. Shri Somnath Chatterjee asked, "What have you achieved?" He will not recognise on what we have achieved but the people recognise on what we have achieved. The people today, Sir, vote with their purses, vote through telegrams and vote through letters. You might say all this has to be ignored. The JPC has pronounced its verdict and that is the final word.

I do not accept all that the JPC has said. I speak today, as an individual Member of this House, as a Member of my party. The Government will say as to what Government's response to JPC is. I do not accept all that the JPC has said and I will come to it in a moment. But glamourizing the past, to say that everything was all right, everything was working well until Dr. Manmohan Singh came on the scene, is not correct. If people thought that the JPC Report will set the Indus on fire or Ganges on fire, I am afraid they will be disappointed.

If Shri Chatterjee thinks that at least the Hooghly or even the Caery will be set on fire, I am afraid he will be disappointed. The people are today voting with their purses, voting with their views. No sooner than Dr. Manmohan Singh announced his resignation, which I think was unnecessary and wholly unwarranted - and I have great respect for his views - people expressed their unanimous view that he should continue. I can understand a his sence of hurt. More than anyone else in this House, I can understand the sense of hurt of Dr. Manmohan Singh. More than anyone else in this House, I can understand his sensitivity in the matter but the people of this country - butcher, baker, candlestick maker, cyclewalla, shopkeeper - who have sent telegrams, letters and who met us said that

Dr. Manmohan Singh should continue because he symbolises the economic reforms and our progress.

This is a matter between the Finance Minister and the Prime Minister. It is no part of my business to comment upon the resignation or the decision which the Prime Minister will take but I am speaking today as a citizen. I am speaking today as an elected Member of a constituency. I speak today to articulate the views of the people of my constituency and I can say without hesitation Members on my side of the House, who will speak after me, will surely express their view. I can say without hesitation, I can say without any sense of weakness, any trepidation, and I say this most humbly to you, Mr. Speaker, Sir, that nobody in the country believes that Dr. Manmohan Singh is guilty of any culpable offence. I will deal with paragraph 16.61.

SHRI SOMNATH CHATTERJEE: You have said that the whole institution like the RBI and the whole system has failed. I would like to know whether according to you the system of Parliamentary democracy has failed or not.

SHRI P. CHIDAMBARAM: I will answer that. The system of parliamentary democracy has not failed and the fact that after Christmas and before the New Year, what is normally a period of vacation, normally a period of celebration, we are sitting here in this august House debating the JPC Report which has taken 18 months to produce what according to me is a remarkably insightful document.

The fact that we are debating is a fact that the system of Parliamentary democracy has not failed but the system of parliamentary democracy will fail if this JPC Report is used - mark my words - and if Minis-

terial constructive responsibility which the JPC has identified is mistaken as the trigger for a witch hunt or head hunt. *(Interruptions)* I am not running away. I am going to deal with that paragraph. I will deal with that paragraph separately. We shall deal with the Constitutional issues. We shall deal with the jurisprudential issues. We deal with the very issues which the JPC has referred. *[Interruptions]* Sir, my learned friend is as much a part of the system as I am. In fact he is an older Member of the system than I am. If any one of us has to bear the responsibility, all others have to be equally responsible for not protecting the institutions of this country; not reforming the institutions of this country and not keeping them on their toes. For ten years we have neglected the institutions. We have debilitated the system and today what we have done is to re-invigorate the Indian economy and to find new instruments and institutions which can take our policy forward.

Sir, there are two paragraphs in the Report which of course are perhaps the most crucial ones from Mr. Somnath Chatterjee's point of view. Let me deal with the paragraph in which I believe the JPC accepts the proposition which I am expounding here paragraph 16.59, before we come to paragraph 16.62. I realise, Sir, that I must choose my words very carefully because we are dealing with a very profound Constitutional principle. I do not claim to have any special expertise in the subject, certainly no more than what Mr. Somnath Chatterjee has. But I wish to plead with this House to approach this question with dispassion and with a great deal of objectivity. What did the Ministry of Finance tell the JPC? Asked about their assessment of the causes of the scam, the Ministry of Finance stated:

"It had been a systems failure. in-

adequate internal control systems and the RBI not having been alert to the clues that became available as early as 1986."

No exception can be taken to that statement. That is a statement backed by hard facts and I have read to you Chapter and verse which will show that these facts are contained in this very Report. The Augustine Kuriar Report, the Inspection Report the Circulars, the Guidelines, the Collusions, the Assurances, the Letters all are there between the two covers of this Report.

"During the course of evidence, the witness of the Ministry informed the Committee in this regard as follows:

I have to recognise that is really what is meant by system failure. I can only say that we should have taken decisions earlier in doing the system review. It is a pity that we did not do that. A lot of what we are doing now should have been done five years ago."

Sir, I commend this sentence to the consideration of this House.

"If that had happened, it would have been much easier to get rid of it. The underlying problem is that we were trying to run a rickety, over-regulated and under governed system. The answer does not lie in putting yet another policeman somewhere, thinking one policeman is better than the other. The answer lies in recognising that when the financial system reaches a certain level of maturity the rules that are made for the rest of the world, we had better learn from them. I can only say that we learnt it too late."

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"He further added:

"The Finance Minister never said that there was no individual failure. It is definitely our view and we have continuously said that there has been a collusion on one hand between the brokers and the other within the banking system..."

There is absolutely no doubt about it. I would not like to say here as to who was responsible. It is not just the system is fine, but some people were crooked and they were incompetent."

And the Committee has this to say:

"Whatever may be the view about the system the Committee urge that the guilty must be punished."

Sir, I fully endorse this. Let us first recognise that the system was rickety, over-regulated, and undergoverned. Let us recognise that the system could not cope with liberalisation or the pace of liberalisation. Let us—please—recognise that we have a period of ten years, neglected our institutions, which became ossified and which simply could not reach the level of maturity necessary for dealing with liberalisation and the consequences of liberalisation. Having recognised that, I fully endorse the view recommended by the Committee, that the guilty must be punished.

Guilt here can only mean culpability, guilt here can only mean greed, guilt here can only mean cupidity, guilt here can only mean aggrandisement, guilt here can only mean personal advantage and guilt here

can only mean personal gain. Where there is no personal gain where there is no personal aggrandisement, where there is no culpability, where there is no guilty mind, where one is trying to reform the system during the period one has to attend to a thousand other duties. It would be, in my most humble submission a travesty of justice, a travesty of truth and a complete miscarriage of justice to describe ministerial responsibility as culpability.

Sir, let us look at paragraph 16.62. My friend Salman Kursheed has correctly and repeatedly pointed out that the word 'negligence' does not occur in paragraph 16.62. Let us read 16.62 together again. Shri Somnath Chatterjee is familiar with this method. It is good that we read it together. As lawyers we ask judges to read it with us. Let us read it together.

We are sitting here today in the sovereign Parliament of India. The JPC was no Star Chamber. The JPC was not a prosecutor. In fact, if you want to look upon the JPC it was political body which combined in itself the role of prosecutor, judge and jury in order to find what the facts were. We are sitting today in the sovereign Parliament. We are not the last word. There is someone more sovereign than us, the people of India. In law we say, "However high you may be, the law is above you." However omnipotent, however omniscient and however sovereign we think we are, the people of India are more sovereign than us. The people of India are the final judges. What does paragraph 16.62 say? Let us apply our mind to that para 16.62:

"The FM has raised a point to which the Committee feel it should react. In his written submission the Minister has stated:

As regards the functions of the Finance Minister, he oversees the work of the Ministry and provides overall policy guidance to the officials. Revenue and expenditure decisions are the direct responsibility of the Finance Ministry. As such FM has no direct responsibility in these areas. He is also responsible for broad policy decisions, affecting the financial system where the Finance Ministry is involved. However, FM cannot be held responsible for administrative failures of management deficiencies in the case of individual banks and other financial institutions.'

The Committee feel.."

I read it with a sense of regret....

" The Committee feel such a distinction cannot be sustained by the constitutional jurisprudence under which the parliamentary system works.'

One must give the greatest weight and the greatest respect to this observation. But speaking today not for the Government, but as a member of my party, I must with utmost respect express my disagreement with this conclusion.

16.00 hrs.

Sir, what is our constitutional jurisprudence? I think, it recognises only two principles. The first principle is, the Government is collectively responsible to Parliament. The second principle is, a Minister holds office during the pleasure of the President, which in political terms means the Prime Minister.

Sir, the JPC has done remarkable job.

One can disagree with an aspect here of an aspect there. One can disagree with the procedure followed here or the procedure followed we there . One can disagree with the procedure followed here or the procedure followed there. One can disagree with some things which are not recorded in the Report. I know, there is a large volume of evidence, which is not reflected in the Report. If were assailing a judgement of a Court, we would say that the Court has not applied its mind to the evidence on record. But we are not assailing a judgement of a Court. The JPC was not a Court in that sense. And the JPC cannot be expected to function as if it was a judicial tribunal, dealing with the evidence, each witness and each document. There is a mass of evidence, which has not found reflection in the Report. And I am sure, when other speak, when the Ministers speak, they will refer to the document and the evidence placed before the JPC.

But, Sir, today we are dealing with a very grave constitutional principle, the principle as propounded by the JPC or the principle as I, in my humble inadequate way, understand from my reading of the Constitution. Sir, the JPC says , again I attach the greatest weight to that observation, that there is no distinction between direct responsibility for policies and constructive responsibility for administrative failure and management deficiencies in one of the organs or bodies under the control of a Ministry. Sir, even if this comment had not been there or even with this comment, we owe deep debt of gratitude to the JPC and I salute the JPC and its Chairman, Mr. Mirdha, for giving this Report. I also salute Dr. Manmohan Singh, however much he disagrees with the conclusion, for accepting what the JPC says and tendering his resignation. But I also salute the people of India. I also salute those who have written letters

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and sent telegrams. I also salute the common man of India, who had unequivocally said, and in the clearest terms said, even if he is not involved with macro economic policies and management. Today the hopes and aspirations of that common man of India are inextricably intertwined with the policies declared and implemented by this Prime Minister and by this Finance Minister. And the people of India understand that.

Sir, if we are humble, I as believe we should be, if we are humble, as I sincerely submit we should be, we cannot ignore that there is a larger constituency outside this House. It is that constituency which will eventually judge us collectively and as individuals. Pay heed to that constituency, lend your ear to that constituency. I have been, in my constituency as I am sure that every one of us had been to his or her constituency in the last two days. If you lend your ear to that constituency, if you pay heed to that constituency, that constituency resolutely and resoundingly says that there is no guilt; there is no culpability; there is no gain; there is no aggrandisement; there is no fault on the part of Dr. Manmohan Singh and this comment is, therefore, unacceptable.

Sir, let me conclude with these remarks. I can understand the target of Mr. Chatterjee.

I cannot quite understand and I am trying to understand who Shri Vajpayee's target was or what Shri Vajpayee's target was Shri Chatterjee is clearly targeting not an individual but a philosophy. He is not targeting Shri Manmohan Singh. He is targeting liberalisation and reform. He does not even hide his prejudice against reform. He does not hide his opposition to reform. He does

not hide his opposition to the new Economic Policy. The question that I wish to ask is how many in this House share that philosophy; how many in this House share Shri Chatterjee's philosophy? *(Interruptions)*

SHRI SOMNATH CHATTERJEE: How many in Delhi follow your philosophy?

SHRI P.CHIDAMBARAM: How many in Madhya Pradesh follow our philosophy? How many in Himachal Pradesh follow our philosophy?*(Interruptions)*

SHRI BASUDEB ACHARIA (Bankura): How many in Uttar Pradesh follow your philosophy?

SHRI P. CHIDAMBARAM: How many anywhere in India except Bengal follow your philosophy?*(Interruptions)*

SHRI SOMNATH CHATTERJEE: Many people. I am not claiming what you are claiming.

SHRI P. CHIDAMBARAM: How many in Bengal will follow your philosophy, if elections are held under the new regime of Seshan in Bengal next time.*(Interruptions)*

SHRI SAIFUDDIN CHOUDHARY (Katwa): There will be no election. That is the order given by Shri Seshan in West Bengal.

SHRI P. CHIDAMBARAM: The target is liberalisation. The Member on our side of the House, I think, are fully aware of what and who the target is? The Janata Dal or the multifarious pieces into which it has been smashed will, I hope, recognise the target is liberalisation. The BJP and I want to address this Sir, through you, most sincerely to Shri Vajpayee....*(Interruptions)*

I took your speech at face value. I made no effort to read in between the lines. I was looking for signals. I found none. I was looking for the kind of anguished cry that you make from time to time who in my party listens to the voice of sanity. Today, I ask you, Sir, what are we targeting? We are trying to the change a system here. We are trying to usher in a new model of growth to governance. We have rekindled hope in the people of this country. We have made them realise for the first time that their aspirations are not beyond their reach today. For the first time in five thousand years, I believe, my generation believes that it is possible to abolish abject poverty, as we know it for five thousand years now. We will never become as rich as the United States or Switzerland. We will never achieve a per-capita of 33000 dollars. but, it is possible to lift this country from the depths, where the per-capita is less than 300 dollars and our neighbors have a higher per-capita income. It is possible to lift this country and abolish poverty, as we know it for five thousand years - abject poverty, degrading poverty, debilitating poverty humiliating poverty, the poverty which forces our women to seek privacy before dawn or after dusk; the poverty which leaves one-third of our urban population living on streets, the poverty which has left 1.1 lakh childrens on the streets of Delhi and the poverty by which the poorest in this country are to forage in dustbin for food.

That kind of poverty can be abolished in twenty years. In twenty years, this country can become one of the major economies in the world. Our GNP will be among that of the top six countries of the world. In terms of purchasing power parity, India will be equal to China in twenty years. But we must grow. As we grow, we must find new institutions. We must reform old insti-

tutions. As we grow, we must find new instruments. As we grow, we must recognise what was rotten in the last ten years and what is rotten in our institutions. The Prime Minister and the Finance Minister together have ushered in an era of reform and an era of liberalisation. There is a new wind blowing across the country. There is a new hope. There is a new aspiration. There is a section in this House which believes out of ideological prejudice that liberalisation must be stopped and the way to stop the reform is to stop the reformer. The way to destroy reform is to destroy the reputation of the reformers. There is not yet a critical mass in this country for reform. There is no critical mass in any party for reform today. That critical mass has to be built brick by brick person by person. A whole generation outside is expecting us to deliver on the promises that we have made and that can be done only if there are reformers in each party, only if they believe that on we have taken is the right path. We can go for. We can take this country if they stand firm and resist this attempt to destroy reform by destroying reformers, by destroying the reputation of reformers.

The JPC took eighteen months. It has found people guilty. It has named people. It has said: take action. I am sure, the Government will take action. If the Government does not take action against anyone of those name found guilty, found culpable, surely this Parliament will call people to account. But let us not carry on a campaign of innuendo and insinuation..[Interruptions].

SHRI SOMNATH CHATTERJEE: Who is carrying on the campaign, Sir. He is imputing motives on us.

SHRI P.CHIDAMBARAM: I am not imputing any motives on anybody.

SHRI SOMNATH CHATTERJEE: Who asked him to resign? He has himself resigned. I have not asked him to resign...*[Interruptions]*. Ask him. Let him explain..*[Interruptions]*.

SHRI SRIKANTA JENA: Why did you resign? why don't you explain that..*[Interruptions]*.

SHRI P.CHIDAMBARAM: Sir, it is possible to wake up a sleeping man but..*[Interruptions]*.

*[Translation]*

SHRI NITISH KUMAR: Please say something above the Fair Growth, We are tired of listening to your speeches. Please also tell us the market at which you purchased the shares?

*[English]*

SHRI P.CHIDAMBARAM: I am not yielding to you ..*[Interruptions]* .

MR. SPEAKER: Please sit down. We are discussing a very serious and important issue. Unless he yields and I allow you to speak, you should not get up and start speaking . And if this is done, it will not go on record.

SHRI P.CHIDAMBARAM: Sir, I approach this debate with a great deal of seriousness and I believe that they also..*[Interruptions]*.

SHRI RAM NAIK (Bombay North): Shri Chidambaram, just a minute. You have spoken about parliamentary jurisprudence. There is a remark in paragraph 16.61 of the report of the Committee and I quote:

"In the light of the above, the Committee feel that the responsibility and accountability of the Finance Minister to Parliament cannot be denied".

Do you have you anything to say on this?

SHRI P. CHIDAMBARAM: I have already spoken on this. I answered it.

MR. SPEAKER: Let me say one thing. As far as the interpretation of the Constitution is concerned, it is not allowed by the Parliament also. It has to be done by the Supreme Court.

SHRI P. CHIDAMBARAM: I have already given my view.

*[Interruptions]* \*

MR. SPEAKER: It will not go on record.

SHRI P. CHIDAMBARAM: I think the Government is collectively responsible to Parliament. I have also said ministerial responsibility, as defined here , will mean only when there is guilt, when there is culpability, when there is gain, when there is aggrandisement. That is my view.

I have approached this subject with a great deal of seriousness. I have carefully considered and I have read every word of this report. I have tried to glean from it what lessons it has for us in the future. I think one of the lessons it has for us in the future is that we cannot do reforms piecemeal. In fact, there is a danger in reforming only one sector of the economy or even only the economy without carrying reforms horizontally across the entire polity and the social systems and institutions of this

country. [Interruptions] Because reforms opened up opportunities, predators exploited the opportunities opened up by reforms and misused institutions and the systems for gain.

There are lessons to be learnt and I am sure valuable lessons have been learnt. These lessons must be absorbed. These must be implemented. These must be translated into policies.

I sincerely seek the cooperation of this House. Please extend your cooperation to the Government to carry through the policies and the programmes as corrected and as modified by the lessons that we have learnt in the last year and a half. [Interruptions]

Sir, as I said, there is a mass of evidence before the J.P.C. It is not reflected in this report. The J.P.C. has 18 months. The J.P.C. has done its best under the circumstances. There is more to be done. This is not the last word on the subject of reform. There is much more to be reformed in this country. Institutions have to be reformed; bodies have to be reformed; Acts have to be reformed; Acts have to be re-drafted. More new instruments have to be found. New problems will arise. New challenges will come. But let us not in our mistaken zeal to find fault, in our mistaken zeal to hunt for heads, in our mistaken zeal to destroy reputations, in our mistaken zeal to destroy the credibility of the Government do those very things which will put paid to the hopes and aspirations of the people of this country. The aspirations of the people of this country, as I said are intertwined with economic liberalisation and reforms.

The Prime Minister and the Finance Minister today are the two most powerful symbols of that reform. [Interruptions]

Therefore, if we believe in reform, if parties in this country believe in reform, if parties in this House believe in reform, if there are sections and individuals who believe in reform this is the time to take the process forward; not to abort it, not to disrupt it two years after the reform process has started.

I would like to conclude by saying that we are really answerable to a larger constituency a constituency of 850 million people. That is the constituency to which, I believe, I am answerable. I speak in this House because I speak through this House to the people of this country. We all speak in this House because we speak to the people of this country and that constituency today stands firm behind this Government; stands firm behind the Prime Minister; stands firm behind the Finance Minister to carry through the reforms.

[Translation]

SHRI HARIKISHORE SINGH (Sheohar): Mr. Speaker, Sir I thank you for allowing me to put forth my views on this important issue. I was listening to the speech delivered by Mr. Chidambaram with utmost patience. After listening to his speech, it seemed as if theft was going on in someone's house and the owner of the house was unwary of it for long and when the thief was caught, an advocate like Shri Chidambaram came for his defence and advocated that the thief had been caught but he should not be punished. The theft tradition was going on. That is why the thief could not be punished for long time. By attributing this scam to the failure of the system, efforts are being made to cover it up. It has come as a slur on the parliamentary democracy.

Mr. Speaker, Sir the Members of the treasury benches and Shri P. Chidambaram

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, in particular, are trying to impress that as such no scam has taken place. Today Dr. Manmohan Singh is in the dock and the members of the opposition are indulging in witch-hunting. As far as Dr. Manmohan Singh is concerned, his character, integrity and gentlemanly qualities are beyond any doubt and no member has questioned his integrity. Everyone respects him. As an individual Dr. Manmohan Singh is thoroughly honest and the present Government wants to hide its misdeeds under the noble character of Dr. Singh. Now, this is not the main question but the question is that if this is system failure then do we have faith in Parliamentary democracy or not?

Which tradition do we want to follow in the Parliamentary democracy. By attributing it to the failure of called system do we want that one more committee should be constituted. We want to constitute a new Enquiry Committee just to make on eye-wash. After that, the term or Parliament will come to an end. No one knows who will win and who will lose. Today it is the question of the dignity of democracy as well as of those liberal traditions following which many big leaders of the Parliament like T.T. Krishnamchari, Keshav Dev Malviya and Shri Chidambaram himself tendered their resignations.

Mr. Chidambaram talked much about Janta Dal. He said that Janta Dal has split. Their identity is not known. If he wants to know honestly the real story of its split, I would make a mention of two persons. One is Parliamentary Affairs Minister, Shri Vidyacharan Shukla and the other one, who is not a member of this House but very prominent figure..\* if is the talks to them

then he would be able to know a lot about the split in the Janta Dal.

[English]

MR. SPEAKER: The specific name will not go on record.

[Translation]

SHRI HARI KISHORE SINGH: He is a controversial and so called religious man who has high links in the Government. I wanted to say something about him.

When the scam was cooking up in the share and share market prices grew up, my friend Shri. Chidambaram naturally talked too much about the success of the new economic policies. I just do not understand as to the euphoria with which he was hoping for the success of new economic policies. At the same time with that very spirit he was discarding old policies of their own party and the old manifesto. If this scam had been brewing up for the last 10 years, then I would like to congratulate Dr. Manmohan Singh that this scam got exposed during this tenure of Finance Minister and a parliamentary Enquiry Committee has been constituted for the purpose.

Dr. Manmohan Singh has tendered his resignation. It is for the Prime Minister to accept it or not. But I want to know from him if it was the failure of the system, then why did he resign and more than that if it was the failure of the system then why the Prime Minister has accepted his resignation. The nation wants to know as to who will reply to this question-the Prime Minister or someone else. It has been said that lacs of telegrams were received. Common people like rickshaw pullers and Pan walas

consider. Dr Manmohan Singh as an honest person, I too consider him honest. There is no doubt about his integrity and it is not being questioned. Our colleagues had been repeatedly saying that the honest person has resigned but all others are still sticking to their chairs and are running the Government. The country wants to know the reply in this regard also.

He has said many times that he is speaking on behalf of the people of his constituency and echoing their views in the House. He also made an appeal to us and has delivered sermons to us. We are also speaking on behalf of the people of our constituencies and the people of this country who are looking to Parliament with a hope. Such a big scam has taken place. It is the biggest of its kind not only in our country but no such scam has ever occurred in the financial system of any country in the world during the century. Where would this scam end? Will learned people like him play with the language on this issue in such a way that the country and the Parliament would be stunned and no one will be punished. Then how to improve the system. Will a separate Enquiry Committee be constituted for this purpose? This is my question.

With reference to financial institutions, we are discussing the hard earned money of the people. I would like to quote para 4.18 at page 16.

[English]

The gross problem exposure mentioned above represent banks' investments which are difficult to recover because, as against the money already paid out by them, either they do not hold any security or they hold BRs/SGL transfer forms of doubtful value and because of imperfect

contracts/documents they may not be in a position to enforce the contracts and recover the money.

[Translation]

This is not a question of a small amount. This is about Rs.4024 crores. This amount of Rs.4024 crores may not be a big amount for Shri Chidambaram or the Congress Party when frauds of billions are going on. I want to talk about the poverty and the sorrows of those common people about which Shri Chidambaram has talked much. What will happen to those common people and the middle class people whose Rs. 4024 crores have been lost in the share market. Because J.P.C. has very categorically written that there are no chances of this amount being recovered. The J.P.C. has further stated about Banks that:-

[English]

"While in the case of NHB, SBI and SBI Caps the ultimate exposures will be on Shri Harshad S.Mehta, in the case of Stanchart, Canfina and CMF, it will be mostly on Shri Hiten P. Dalal, Shri A.D. Narottam and in case of ABFSL, it will be on Fairgrowth Financial Services Ltd."

[Translation]

I understand that Shri Chidambaram must be having good knowledge of the fairgrowth...[Interruptions]...He has since left. These people cannot face the truth.

Mr. Speaker, Sir, today it is not the question of system failure but of the dignity of Parliamentary democracy and this supreme institution. A little while ago our learned friend Salman Khurseed had concluded his speech with a couplet. I would like to ask him through a couplet.

[Sh. Harikishore Singh]

[English]

"Tu idhar-uthar ki bat Na Kar, bata ki karwan kyon loota, Muzhe Rahbaron ki Garaj Nahin, Tesi Rahbari Ka Sawal Hai."

Today it is not the question of Bhupen Dalal, Hiten Dalal or Harshad Mehta. It is also not the question of four thousand or eight thousand crores of rupees. Today the question is what message from this apex institution of parliamentary democracy is being sent to public? Today the question is whether this institution is competent enough to check it or not. Today the dignity of parliamentary democracy is at stake.

Mr. Speaker, Sir, this is a big scandal. There are many irregularities in it. I want to cite a small example. B.R. was done under Banker's cheque -J.P.C. in its report on page 17, para 4.24 say

[English]

....."The examination of securities transactions by the Committee revealed serious irregularities. One of these was the gross and wide-spread misuse of BRs. It was observed that the guidelines of IBA and the circular of RBI dated 26.7.1991 for the use of BRs issued were observed more in their breach than in their adherence. In many cases, the BRs issued were not even in the 'format' prescribed.

[Translation]

BR is issued. What is this? Where does it go? J.P.C. on the basis of facts has come to the conclusion that BRs are not issued under proper format. Further it states about Banks—

"Thus use of BRs which was intended as an "exceptional method" of delivery of security in certain special circumstances became a popular/common method for securities transactions. Further as already stated, the inter bank transactions were invariably routed through brokers. Gradually, the banks omitted to mention in the BR even the name of the "counterparty" bank with whom the deal was struck so that the BR could be utilised by the broker towards sale to bank. In many cases, BRs issued favouring one bank, came to be discharged by it and passed on for further use in respect of another bank for a transaction named by the brokers. Thus BRs which were "non-transferable" receipts became quasi-negotiable, bearer bonds representing the value of securities mentioned therein."

It is astonishing at the BR and the Public money are spently being looked yet the Government in silent. If this is called system failure, only God can save it.

[Translation]

The Finance Minister, Minister of State for Finance and former State Minister of Finance are present here. How BR is used, they know better than.

Mr. Speaker, Sir, I would like to make a mention of a few banks. Mr. Chidambaram has discussed enough about the economic policy of the Government. There can be no 'Eldorado' in our country without this policy.

We also held the impression that foreign banks are better than the banks of our country. Their working system is good, they work more efficiently. It also seems so from their outer paraphernalia. They very quickly dispose of the work related to cheques etc. But no one is aware as to what is going on in these banks? I would like to cite paragraph 85 of page 48 of JPC Report about the foreign banks.

[English]

On p.48 para 8.5 it is stated:-

"The examination by the Committee of securities transactions in banks has revealed that some of the foreign banks have been deeply involved in the irregularities in securities transactions, they have acted in an unbecoming manner, indulged in large scale security deals, highly disproportionate to their normal requirements and in the process not only violated RBI guidelines, but also their own set procedures and Prima Facie the laws of the countries of their origin. In the process they have thrown over-board all principles of prudence and safety in management of funds of constituents who had reposed faith and confidence in them. The Committee examined in particular the securities transactions of four foreign banks viz. SCB Chartered Bank, (SCB) ANZ Grindlays Banks, BOA (BOA) and Citibank."

[Translation]

Mr. Speaker, Sir, one of the criticism against the new economic policy is that the foreign banks would enjoy full liberty in our

country. When Dr. Manmohan Singh presented his first Budget, I asked him to clarify whether he would allow foreign banks to operate in the country in a big way. But I could not get the reply till date. Is it justified if foreign banks violate the guidelines of RBI? But the Government of India and the RBI do not take any action against them. Why it should be called system failure when the people sitting in the Government overlook it.

Mr. Speaker, Sir, I would like to cite some more facts about the foreign banks from the report. On p 49 para 8.10 it is said:-

[English]

On p.49 para 8.10 it is stated:-

"These banks also indulged in issue of BRs without receipt of money on securities, exchanged BRs, issued consolidated BRs, indulged in issue of BRs even where SGI facilities were provided etc. Similarly, they have also grossly misutilised the SGL facilities and permitted large scale bouncing of SGIs. During the period October, 1990 to June, 1992 a total 612 SOLs of these banks bounced. The banks hardly cagited to verify the abilities of counterparty banks issuing BRs of high value to perform, despite the fact that some of them were known to have very small resources like BOK and MCB (both now in liquidation)."

[Translation]

Mr. Speaker, Sir, can the foreign banks operating in a country play with its economy in such a manner? These are very large and famous banks. It is being said today that in case these banks are touched the capital

[Sh. Harikishore Singh]

investment from foreign countries which is likely to be made in the country will not be done.

I disagree with it very politely. Today, if action is taken against the banks involved in the scam, it will not only give a boost to the Government of India's but also give it will credit to our parliamentary system abroad. It will also remove the stigma that is being cast on us by the world that we are becoming slaves and followers of World Bank and the International Monetary Fund. Do the Government propose to cancel the licences of these banks or not? Was the Government waiting for the JPC Report even when these facts had come to light. I hold the Prime Minister, not the Government responsible for it. Not only the Finance Minister but the Prime Minister is also responsible for it being the head of the Ministry as his ministry is also linked with it. For example what happened to the money of Nalco and public undertakings amounting to more than 44000 crore? What action will be taken in this regard? Will the hard earned money of this country be spent through budgetary provisions or disposed of by any other means? Will someone be held responsible for it. Foreign banks and our banks are responsible for it. Much has been said about this. The responsibility of our banks has been exposed more elaborately and several people have also committed suicide in this case. The Reserve Bank of India is the sole owner of the State Bank of India. What was it doing at that time? I hold Dr. Manmohan Singh responsible for it because he took the side of the Governor of Reserve Bank of India. Once at the time of clarifying on this issue. I, in the Consultative Committee of Ministry of Finance....[Interruptions]

[English]

MR. SPEAKER: Please do not do that. Please avoid that.

[Translation]

SHRI HARI KISHORE SINGH: I requested him to disclose the names of the Ministers, who are involved in it but he replied that no Minister was involved. When you say that none of your colleagues is involved in it, then why resignation of one or the other is coming up. I am sorry that he has resigned. Mr. Chidambaram says that common people like hotel owners, rickshaw pullers etc. say that an honestman has resigned and others are safe Honest people will be punished for this. Does not Mr. Chidambaram know that there is a system failure? Besides this question has also been raised against the Prime Minister as he was not only the Minister in charge of the concerned department, the undertakings which have invested the money but the members of his family also own Andhra Financial...[Interruptions]

The JPC has not taken Gold star into consideration. So it becomes necessary for the Parliament to take up a discussion on it. So the Janta Dal has demanded that in case the Prime Minister is innocent, I do not give weightage to Harshad Mehta's statement. I will accept whatever the Prime Minister says about the Gold star. We have a tradition and I am surprised as to why Shri Vajpayee did not cite the tradition which is connected with Ayodhya. A common citizen could blame Lord Ram Who consequently banished Sita. His action was wrong. But Shri Vajpayee did not mention it. He forget it. Since they have lost the polls in U.P., he forgot this and the Ayodhya incident please do not do so. Today the Prime Minister

should clarify his stand before the people of this country. It is necessary for him to clarify his position in regard to his relation with the Goldstar before the leader of the opposition parties, before the panel of prominent opposition leaders of this House so as to prove himself immaculate. How his family members got the benefits of his personality? Who will take the responsibility of the capital investment that was made in this security scam? Mr. Speaker, Sir, Parliamentary tradition has not been established within a span of a day. It has a long history of its liberal tradition in which several good people were made scapegoats. It is not necessary that even today someone should be sacrificed for this. So it is very necessary today that the Prime Minister should clarify his position in this regard, lest I should deem that he is involved in Gold Star and the Andhra Bank Financial Services and he should resign. This is not concerned with only one Ministry but several ministries are involved in it. Same is the position with the Ministry of Energy. A heavy amount of this ministry is involved in the security scam. Shri Kalp Nath Rai was the then the Minister of Energy. He should resign. He was associated with the socialist movement of Dr. Ram Manohar Lohia. Giving due respect to his tradition he should resign today. Some more people are also involved. The Prime Minister cannot get rid of it easily. He cannot get rid of it on the pretext of system failure only. No system is successful today. The system which he is running today is a failure. It is a failure of those people, failure of the Government, failure of those corrupt businessmen and other institutions which have influence on power. So the country cannot be punished for this. Mr. Speaker, Sir, Economists are of the view that only Rs. 8000 crore. are not involved in this scam if no proper investigation is made this case, it is likely to cross even 88000 crore. Several people have become poor, several people

have sold their house and several people have committed suicide due to this. It is not related to the faith of Parliamentary democracy which is at stake. With these would I demand the resignation of the Government.

[English]

SHRI SHARAD DIGHE (Bombay North Central): Mr. Speaker, Sir, already five speakers have spoken on this Report of the Joint Committee to enquire into irregularities in Securities and Banking Transactions. Stalwarts have already put their different points of view. The Report has also been read extensively and different paras have been quoted in support of the arguments advanced by the hon. Members.

The discussion which is going on is on a very serious subject and I should say that some delicate parliamentary issues are also involved in this discussion. It has been stated, on the one side, that it is only a systemic failure, it has been there for some years and therefore, the present Finance Minister alone is not responsible. It is also stated that the parliamentary democracy or parliamentary jurisprudence, if properly understood, does not demand or does not require the resignation of the Finance Minister. The opposition Members have been at pains to point out that this is not a systemic failure but, it is the deficiency of the department itself, and, therefore, the Finance Minister is directly responsible. Taking advantage of a particular paragraph in this Report, at page 223, it is, again stated that the distinction cannot be sustained by the constitutional jurisprudence under which the parliamentary system works. So, these are some of the issues which have to be broadly discussed as far as this JPC Report is concerned.

Sir, in the first place, I would submit

[Sh. Sharad Dighe]

that this Report brings to light several shocking facts as far as the banks' transactions are concerned. Everywhere, the facts have been spread over and they have been referred to by the opposition leaders also. Really speaking, this Report was to be confined to the scam, though the Terms of Reference are in broader words. And the word 'scam' itself was defined here as "basically a deliberate and criminal misuse of public funds through various types of securities transactions with the aim of illegally siphoning of funds of banks and public sector undertakings to select brokers for speculative returns."

So, from this definition point of view, we shall have to find out, what are the different findings of this Committee. As I said, several shocking facts have come to light and, therefore, many of the recommendations of this Committee are very serious and should be taken very seriously; Government should take action as far as those departments are concerned. No doubt, it is an unanimous Report of the Committee in which all the political parties are party to the Report. And, therefore, I would submit and urge upon the Government that the various deficiencies which are pointed out and the recommendations made for correcting them should be very seriously taken and prompt steps will have to be taken as far as those recommendations are concerned.

For example, at page 87, I would not go into all the details because many paragraphs have already been quoted by different speakers, there is a reference to the appointment of brokers.

There are no brokers at all. The whole system of empanelling of brokers of banks,

especially the public sector banks, needs to be examined in detail. Brokers are appointed without interview, without any qualifications and many persons find favour as far as this system is concerned. Similarly as far as the public undertakings are concerned at Page 115 it is surprising to read that the budgetary funds which are given to the public undertakings are utilised for this speculative purpose. It is stated at para 14.27:

"Several PSUs invested their funds, while they continued to receive budgetary support. Total funds received by some of the PSUs for the last 3 years were as given on the following page:"

The figures are given and the Committee has found out that PSUs, instead of utilising the funds for the operational requirements, have made huge investments with banks, financial companies, etc. Thus depriving the PSUs of these funds for considerable periods.

These are some of the things which require immediate attention. Because the public funds which we are allocating to such institutions are being used for speculative purposes and perhaps they are being siphoned in a criminal manner by certain brokers and certain other interested persons.

The main point, as I was saying, which has been crucial as far as this report is concerned is at Page 223. That is the main controversial paragraph as far as this discussion is concerned. There the Finance Minister's point of view has been quoted:

"As regards the functions of the FM, he oversees work of the Ministry and provides overall policy guidance to the officials. Revenue and

Expenditure decisions are the direct responsibility of the Finance Ministry. As such FM has more direct responsibility in these areas. He is also responsible for broad policy decisions affecting the financial system where the Finance Ministry is involved. However, FM cannot be held responsible for administrative failures or management deficiencies in the case of individual banks and other financial institutions."

Here the Committee differs from the Finance Minister and says that:

"The Committee feel that such a distinction cannot be sustained by the constitutional jurisprudence under which the parliamentary system works."

Dealing with this point another aspect that has been put before this House is that these deficiencies arose out of the liberalisation policy adopted by the Finance Minister. Shri Chidambaram has dealt with in detail how it was only a systems failure and had nothing to do with the present liberalisation policy of the Finance Minister. He has quoted several instances from the Report itself and shown that this aspect of the matter is not correct at all. We must remember one thing that in the whole Report itself, it is clearly stated that this is going on for number of years, particularly since 1986.

17.00 hrs.

The system has decayed recently to a great extent. This rise in the share market is also a phenomenon since 1990. But, it had its peak level in the years 1991 and 1992; and the highest level was on 22nd April 1992, when the figures stood at

4467.32 as against 100 in 1980. The peak reached in April 1992; it started somewhere in December 1991 for a very very steep rise, as far as the capital market phenomenon is concerned.

As I was saying other hon. Members have also stated that this has not come suddenly. This is a decay of the whole system. It started from 1986; and during that period, even the Governments of the parties other than Congress party were also in power. If at all the Ministers are to be held responsible, then those Ministers should also be held responsible for not attending to the decay of the system in the Reserve Bank as well as other banks, as far as this was concerned. The portfolio management system was decaying and the funds were being siphoned off even in all those years, though it reached its peak during the period of 1991-92.

Therefore, firstly it cannot be said that the present Finance Minister is alone responsible for this. If you want to hold him responsible for this decay in the system, then, several Finance Ministers who were in charge of this Ministry will have to be held responsible [Interruptions]

SHRI HARI KISHORE SINGH: You punish them. [Interruptions]

SHRI SHARAD DIGHE: We cannot punish the people retrospectively. That is the whole difficulty. You can catch those persons and ask them. [Interruptions] Therefore, with this background, we must consider the decay in the system. [Interruptions] Therefore, this malady or malaise cannot be attributed only to the Finance Ministry. Then, we can also say that this has happened in your period and therefore, you will have to resign. But, that is not a correct and good argument at all.

[Sh. Sharad Dighe]

Secondly, as soon as it was detected, the present Finance Minister has promptly taken several steps. If you see it, you will find his perception; and it was this that there were other trends also which were responsible. When he answered the Unstarred Question in Lok Sabha on 27th March 1992, he has stated that the share prices have shown rising trend during the last nine months due to market factors including the recent liberalisation policy of the Government. So, those hon. Members who were trying to say something, should understand that even the Finance Minister was under that impression. His perception was that because of the liberalisation policy, the prices of the shares in the stock exchange were rising and that it was something good. But, that was not so. He has stated that other market factors were also responsible which also included the recent liberalisation policy

Then, in Rajya Sabha on 31st March 1992, while replying to a Starred Question, he has again stated that the increase was mainly on account of the expectations of investors generated by the rise in the level of foreign exchange reserves and the improvement in the overall economic situation.

In the beginning, he had some perception that because of his policy also, this was rising. But that was not the only factor. He was seeing that there were other factors also.

He held a meeting with the Presidents of the stock exchanges on 28th of March 1992. He has clearly hinted there with respect to the other factors also. It is a record note on Finance Minister's meeting with the Presidents of major stock exchange on 28th March, 1992. In volume II, on page 2, he has stated there:

"Steps must be taken very quickly to streamline operations, as any slackness on the part of stock exchanges could jeopardise the fate of the liberalisation process and hamper economic reforms."

He had warned that stock exchanges and asked them to take steps against these things. He had also assessed that because of various liberalisation measures introduced and the policies announced by the Government on trade, industry and capital market, the stock exchanges has been growing at a rapid pace.

Then, he had further assured his support. At that time only, he had announced the statutory status to SEBI. Therefore, the Finance Minister was aware and alert as far as this position was concerned. He had taken prompt steps to arrest the things which were within his control. Therefore, while replying to the calling attention notice in Lok Sabha on 30th April, 1992 also, he had said:

"RBI had been asked to set up a group to look into the system and procedure from the point of view of strengthening monetary supervision and detection and to take suitable steps."

Thereafter on 30th April, 1992, he instituted an inquiry under the Deputy Governor of RBI, Shri R. Janakiraman. All the prompt steps have been taken as soon as this malady was detected by the Finance Minister. What I submit is that he was alert about what was under his control. He acted promptly as far as his Department was concerned.

Now we must also appreciate that when these things started coming in the Lok

Sabha and the Rajya Sabha and also references were made in the Press first time on 23rd April, 1992, discussions were held here under some head or the other, say, calling attention notice, questions, etc. Ultimately, the Government itself came forward to appoint this JPC. The Government also acted very promptly. Not only the Finance Minister but the Government also came forward and immediately appointed this JPC to inquire and find out the reasons for this malady. That also will have to be appreciated.

Then, on 6th June, 1992, an ordinance was promulgated establishing a special court relating to these securities transactions. Justice S.N. Variava was appointed the Judge for this purpose.

What I submit is that we cannot blame the Finance Minister or even the Government as far as these failures are concerned. This system was decaying for a number of years. And several people were responsible as far as this decay is concerned. As soon as symptoms were noted, this was brought to the notice of this House or brought to the notice of the Government.

When symptoms were brought to the notice of the Government by democratic means, by this House as well as by the Press, prompt steps were taken by the Finance Ministry as well as by the Government to arrest this decay and the Government also announced that whoever might be found guilty would be punished. These assurances are also there. I would like to further speak as far as the responsibility of parliamentary accountability is concerned. As has been hammered by all the speakers relying upon page 223, I would submit two points. Firstly, many of the speakers are utilising the instances of Shri Lal Bahadur

Shastri, Shri T.K. Krishnamachari and also Malviya. As far as Shri Lal Bahadur Shastri is concerned, may I ask with all humility whether there was any other Railway Minister who resigned because there was an accident? All parties have been in Government....[Interruptions]. But we use Shri Lal Bahadur Shastri's name when it suits our purpose only and if anything happens, we cite the name of Shri Lal Bahadur Shastri's name but whenever other parties are in Government, they forget about the instance of Lal Bahadur Shastri and they go ahead without resigning. I know about so many opposition leaders who had been Railway Ministers and they never resigned when accidents had taken place. We should not use the solitary instance of Shri Lal Bahadur Shastri when it suits our purpose. Therefore, my submission is that is not the final test so far as the present parliamentary system is concerned. As far as Mundhra's case was concerned, extracts from the speeches of Nehru were read. It is a known fact and I think senior Members will agree with me that even at that time the Prime Minister was reluctant to ask for the resignation of the then Finance Minister on that issue itself. And it was only when Maulana Azadji intervened, ultimately that resignation was taken. But that also cannot be ideal and followed always. You know about the third instance where it was personal and therefore, it was a different matter all together. I do not want to justify all these things but I want to ponder over all these things that since 1952, the functions of the Government have changed to such an extent that if, for some small happening in their department, the Ministers are expected to resign, I do not think that the Government can run at any time at all.

SHRI RAM NAIK: Is it a small happening?

SHRI SHARAD DIGHE: I will come to that. Now, the functioning of the Government has been more and more complicated. Several functions are added and if, for the failures of some function or the other of the department, the Ministers are held responsible to the extent of resigning, then I do not think that will be good for any of the parties who are there as far as this House is concerned.

Therefore, we must take a practical view of the matter. Really speaking, if we find that the Finance Minister could have been guilty of all these things during his regime and had failed to act because of his negligence or because of his lack of integrity, because of any selfish motive or because of his utter inefficiency, then I agree that he must be asked to resign. But if these things are a result of the systems failure in the banks and because of RBI's failure or to supervise properly and if these things have been going on for all these years, then for some reason or the other, we cannot catch hold of the head of the Ministry and say that he is responsible and hence he must first resign. I think I am correct and I am happy to note that nobody from that side has asked for the resignation of the Finance Minister. Suggestions have been made to the effect that as he is a man of high integrity and he is such a good man that he has resigned and so let him continue to be a good man. That is the only suggestion from the other side.

SHRI ANNA JOSHI: Will you please yield for a minute.

[Translation]

Sir, right now whatever Dighe jee was speaking was about the resignation of the Finance Minister only. I want to know from

the Government, through you, as to what he has to say about the resignations of those ministers who have come under cloud. There are 7-8 ministers whose names have been mentioned from time to time...[Interruptions]..

[English]

SHRI SHARAD DIGHE: Therefore, what I say is that the time has come when we must lay down certain tests in this parliamentary democracy. This is not merely a question of the Congress Party or some other party. Some day or the other, some other parties can come to power. Are you going to accept when I suggest that we must lay down such tests which will be useful for all times to come, useful for all the parties who may likely come to power? From that point of view also, my appeal is that we must consider this Report in that light.

Finally, I urge upon the Government that whatever recommendations are made by this Committee, they should be scrutinised properly and action should be taken promptly so that the decaying system should not decay further and some improvements are made so that the siphoning of public funds by unscrupulous people may not hereafter recur in any manner whatsoever. (ends)

[Translation]

SHRI RAMASHRAY PRASAD SINGH (Jahanabad): I want to ask a question...[Interruptions]..

MR. SPEAKER: Please sit down. Whatever you are speaking is not being recorded.

SHRI RAMASHRAY PRASAD SINGH:....[Interruptions]..\*

SHRI BHOGENDRA JHA (Madhubani):  
Mr. Speaker, Sir, first of all I would like to thank the Joint Parliamentary Committee, because they by their hard work and leaving aside the party views, have presented a consensus report based on unanimity of facts before the Parliament and the country. I think the members of the Committee including the Chairman had to work hard in this venture so that facts are not suppressed and unnecessary division is not taking place on party lines.

Mr. Speaker, Sir, the subject is being debated and we are sitting in the Parliament, not because we are the best persons in the country, but because we are elected and sent by the people so that we may play our role in Parliament in the implementation of different policies in the country. This Government has been formed somehow by a thin majority. In the Parliamentary form of Government both in India and in Great Britain the question of accountability is very important. Many of our friends from the Congress party have spoken on this subject, but I want to tell them that we cannot punish any officer in the Parliament, nor can we punish any Bank Manager, or any official of the Finance Ministry; only this Council of Ministers is answerable to us. Today the speakers of the ruling party are making many dangerous talks. According to them there will be moral turpitude only then this can happen. Merely moral responsibility will not do. If moral responsibility is not there then any Minister through his officials can get any wrong thing done and can ruin the country, and he will never be held responsible for his deeds...*[Interruptions]*.

This is a new thing being added to the Parliamentary system. This is a dangerous trend. When no body will be held responsible then people voting from either side in favour or against could get anything done

by anyone and no one will be held responsible. I think that in the Parliamentary history somebody might have spoken like this. But no prominent speaker had ever spoken or written like this.

A lot has been said about many persons. I want to tell you that when a very important person the then Finance Minister of India, resigned the then Prime Minister of India, Shri Jawahar Lal Neharu had said about Shri Shanmugam Chetty him in this Parliament:

*[English]*

"Normally, I would have hesitated a great deal in accepting that resignation, partly because, first, I felt that what had happened was an error of judgement however serious nevertheless it was an error; secondly, because Government had profited a great deal by his ability and by his hard work in the very responsible office he held; thirdly, that in this very Session there are certain important measures which he was going to pilot...."

*[Translation]*

Then he left, despite all his abilities his resignation was accepted. None of us has said that the Minister of Finance as a person is a dishonest man. I am not in a position to give certificate of honesty or dishonesty, but I would like to mention the facts that have come to light.

One fact is that we would not understand things due to carelessness. This carelessness made our country slave. Carelessness even with a honest motive is a crime. A minister particularly who is steering the engine in his hands, can lead to major acci-

[Sh. Bhogendra Jha]

dents. Because this is not an act of carelessness of a passenger boarding the train, but here the matter relates to the driver of an engine, driving the Financial policies of the country.

Mr. Speaker, Sir, my friend Dighejee was referring to the reply of a Calling Attention Motion. These matters have been raised repeatedly in this House and brought to the notice of the Government. Government's attention has also been drawn to the fact that prices are rising. The Finance Minister reacting to this issue said that he would not bother himself on this account and maintained that this was the favorable result of their policies.

Mr. Speaker, Sir, had there been favorable result, all would have welcomed it and in case of unfavorable results, one should not doubt the ability. I am talking about the ability. Everybody speaks high of his ability. The prices are rising abruptly in the stock market. Our friend Shri George Fernandes was saying something and friends from the other side were also saying.

That the assessment of the Finance Minister has been proved wrong. Is this the proof of ability when the results received are unfavorable? Shri Chidambaram has negated the history of the last five thousand years. I am afraid whether he is aware of it or not. People will appreciate him; I am not going to deny this because he has guts to negate the history of last five thousand years. We may become slaves to anyone or even to a foreign bank though direct foreign ruc does not appear easy. Two members from the ruling party have spoken, but in my opinion to run this country it is very necessary for the ruling party to know the

direction in which this country is moving. The question is not merely of Dr. Manmohan Singh. He has done a commendable job by sending his resignation and fulfilled his duty. After going through some papers, I feel that some Public sector Banks did not cooperate. All the facts have not come to light which can even reveal a bigger scam than this. On the other hand he is saying that amendments are being made in the new financial policy. I am not talking only of theoretical grounds but also of practical grounds. He is of the opinion that our Public sector has failed. The Finance Minister and other Ministers are present here and I would like to know from them whether a single businessman in private sector is running his industry without taking money from the Public sector Banks. Not as single man is running his wholesale business with his own money. You are talking of the success of some officers who have pleaded for continuance of the public sector. We have the glorious history of five thousand years. I do not want to go into details, I only want to say that the intention of JPC expressed in the report should be reflected in the House. But the new policy now being followed is a danger to Parliamentary democracy and to the life of the people. An industrialist by producing a product adds to the capital in the country but speculation is pure gambling in which people are make easy money in crores. If investigation starts, someone will say that even members of the Joint Parliamentary Committee have taken bribe from them...(Interruptions)...

The affidavit filed earlier was wrong. Now we are giving true one. Later on they said that they were not saying the correct position we were misled by it to a great extent. All this was done on the strength of money. Mr. Speaker, Sir, that is why I was telling you that our millionaires are in the hands of newspapers. I know that they will

not listen to us.

These newspapers are giving wide publicity to that scam of thousands crores of rupees been they are making an attack on our Finance Minister on the public sector and our economic liberty. They are criticising our financial liberty. I have no enmity with the Finance Minister. He is quite sober by nature and have no objection to it. Whatever he has done is known to all of us. But our Financial liberty is being hit under the pretext of Dr. Manmohan Singh's conduct. My friends have an impression that foreign banks are good. I do not want to speak on this issue. I do not say that corruption in America is manifold as compared to our country. When there is so much surplus money then corruption is inevitable and that will definitely affect the public. Anyone can become a millionaire by such money, but nobody can reach this position by honest means because neither it is possible nor the could happen. So under the guise of such things the members from the Congress party are launch an attack on our history and the parliamentary system. If they have such a wisdom then. I feel that they should speak openly and should bring a proper motion to reject the report of the Joint committee. Joint Committee has put forward all these things very carefully and unanimously.

Mr. Speaker, Sir, the Hon. Prime Minister is not here but the hon. Finance Minister is present here. Such occasion seldom come. When late Lal Bahadur Shastrijee tendered his resignation Shri Jawahar Lal did not accepted it despite letter's request to continue in office the former said that he would be highly obliged if it was accepted, because he did not want to continue any more. I would like to say that if the members of the Congress Party intend to sell our history and liberty. then Dr. Manmohan

Singh should resign boldly and in case it is not accepted, he should insist that he owns moral responsibility for this scam so that it may boost his image. So far as the matter of receiving the telegram from the people is concerned, I do not think it bad because he might have dealings, with right people and some of them might have swindled way crores of rupees. There may be some people who get free food and became millionaires without any effort. Therefore, I request that whosoever is mentioned in the report, can not shirk his responsibility. Hence not only Dr. Manmohan Singh but his colleagues should also bear this responsibility. It will set an example for the future. It is also question to what will be the criteria or future, I think that the congress party is not totally dead. If the party is alive it should look in to it and should be bold enough to suggest the Prime Minister to call for the resignation of Dr. Manmohan Singh in view of the report of Joint committee and without showing laxity should take action against those ministers who are involved in it and pursue the matter further. The question of retaliatory action against any officer does not arise. If no one is penalised, the responsible persons are not penalised then there is no remedy for it. Sir, the incident of 30 October, 1986 have mentioned. Our friend, Shri Dighe has pointed out the mistakes in a carefully worded language. I have come across such people suppose some is arrested in of crime and acquitted when some other is arrested in the same crime he will disclose the name of first accused and others also. Thus this will not end. If we can not rectify, it is the responsibility of the Congress Party. Hence it is the only opportunity that the resignation of Dr. Manmohan Singh should be accepted and remaining Ministers who are guilty should also resign.

I would request Shri Narasimha Rao as he is the Prime Minister I would like to

[Sh. Bhogendra Jha]

remind him that he himself had been a freedom fighter so he should realise that the manner in which efforts are being made to shatter the very fabric of this country would not be tolerated.

Now a days a disease has spread in our country. If this disease take serious turn.....

[English]

MR. SPEAKER: That is not going on record. We do not refer to the heads of State of other countries.

[Translation]

SHRI BHOGENDRA JHA : Mr. Speaker Sir, I have not mentioned any country.

MR. SPEAKER: You have just mentioned the name of a person.

SHRI BHOGENDRA JHA: Mr. Speaker, Sir I have mentioned a new disease against your feelings. In the world history we slow that for the first time a Parliament was bombarded by tanks in which hundreds of parliamentarians lost there lives.

MR. SPEAKER : Being a senior Member you know that we have a rule that we do not refer to the Government or any individual of any other country.

SHRI BHOGENDRA JHA: Mr. Speaker, Sir I have mentioned any country.

MR. SPEAKER : But you have just referred to an individual. Well, please proceed.

SHRI BHOGENDRA JHA : Today

crores of people are facing unemployment problem and starvation in the country. It is being said that reforms are being made in there case. In this way the economy of the country is being ruined. Public property is being destroyed in the country.

MR. SPEAKER: I had allotted you time to speak on the report.

SHRI BHOGENDRA JHA: I am speaking on the report itself.

MR. SPEAKER: You are not supposed to deliver speech on someone's speech. If you have some new pointers to say, please speak. Otherwise, let the others speak.

SHRI NITISH KUMAR: We have just listened to hour and fifteen minutes sermon on liberalisation.

SHRI BHOGENDRA JHA: Mr. Speaker, Sir, our five thousand year old history has been destroyed Our history will not start it America does not make as slaves (*interruptions*)

He is not only a man but also a lion . This has rightly been said that if the Congress party adopts the attitude that there were incidents of fraud even before and scam started budding even before , and therefore they would go doing this scam will engulf the whole ruling party including Narsingh Rao jee and there will be no one to save them. therefore, I would request that everyone found guilty in the report, no matter whether they are officers of ministries. Reserve Bank of India and other banks, the Finance minister being the first person in this line will be held responsible or other ministers of that ministry whose names have been mentioned in the report, will be held responsible for further action . A committee should be constituted and officers found

guilty punished. They should be imprisoned and terminated, so that others may take a lesson from them, and be careful in doing such acts. It will encourage to do good works and dissuade people from indulging themselves in reprehensible acts.

Therefore, the Finance Minister should maintain the dignity by relinquishing the office. His resignation should be accepted. Resignation of people involved in the scam, other than him, should also be accepted and decorum maintained. All the persons found guilty, should be punished. People of the country will not tolerate the brutal attack on public jurisdiction and misuse of public money. In the report businessmen involved in the scam dare being praised. In my last sentence, I want to say that four foreign banks are reported to be involved in the scam and it is none other than our Finance minister, responsible for inviting these foreign banks. It is he who has opened the door for their entry. At this moment only four banks have been found to be involved. Future will say the total number of banks involved. Therefore, the country should not be led and on the path, where banks of our country is likely to be mortgaged, and so also our financial system. I conclude with the hope that we will make atonement and march ahead.

[English]

MR. SPEAKER: Shri A. Asokaraj.

SHRI A. ASOKARAJ (Perambalur): Mr. Speaker. Sir....

MR. SPEAKER: You are speaking on behalf of ALADMK. You understand the implication of what I am saying.

SHRI A. ASOKARAJ: Mr. speaker, Sir,

on behalf of my party, All India Anna D.M.K., I am participating in this discussion.

Sir, it was a chronic disorder and the most unfortunate aspect was the emergence of a culture of non-accountability, which permeated all sections of Government and banking. There were several dimensions of the scandal, more and otherwise. These grave irregularities have persisted for so long that eventually it was not the observance of regulations but their breach that came to be regarded and defended as market practice. So they are defending themselves all these scandals and saying that it is the market practice. Accountability was largely absent and the punishment for the wrong committed was rare.

Like in the Report we have to express our grave concern on the failure, that was the supervisory role from top to bottom. The extremely worrisome aspect is that no witness had admitted responsibility and their damaging approach of transferring responsibility to others.

Sir, I strongly urge and support the JPC's recommendation of setting up two Expert committees to determine the exact amount involved in the scam and to trace its end users. The tracing of moneys to their final destination is any important one. It was the task of a team comprising of specialists in the field of accountancy, taxation and criminal investigation. As the JPC recommended such a team be constituted under the overall coordinating responsibility of the MOF and with due and proper representation of such agencies as it may deem fit, the task of identifying the end uses of monies been trusted with this committee and it may be directed to report within six months of appointment and to present its Report to the Parliament.

[Sh. A. Asokaraj]

Sir, I would like to say a few words. The report states that out of the amount of Rs. 7,43,604 crore securities transactions conducted by the banks and the financial companies during April 1991 to May 1992, 58 per cent was handled through bank brokers that is, a sum of Rs. 4,38,290.32 crore was transacted through the brokers. And from this amount, the brokers has cornered nearly 20 per cent of the total business. That means, the brokers had cornered Rs. 1,48,720.8 crore.

Sir, the Report also establishes the manner in which the banks in general colluded with some unscrupulous brokers and extended undue advantage to them disregarding the rules. You should also understand when such an amount was involved, the bankers had dealt with only brokers, that too, only with selective brokers, and they might have come with an agreement to enter into this.

The bank failed evolved any clear-cut policy regarding the role of brokers in securities transactions including their selection, fixing the limit over the quantum of business, nature of transactions and the system of reporting .

I would also like to point out the under that IRDP, an assistance of Rs. 12000 was given. However, I with to point out that it is not easy to get this loan. Even Members of parliament have to face a lot of difficulties while dealing with these bankers, These bankers are taking a number of sureties and other things from the beneficiaries . So, about one crore people can be benefited with this assistance.

I would also like to point that these investigating agencies have not done their job

properly. the JPC in its Report have passed sever structures on the CBI and other central investigating agencies. Bombay brokers, Harshad Mehta and other public servant had amassed a lot of money from 1990 to 1992. The Report also points out that there was a poor performance by the CBI and other investigating agencies have not worked properly and promptly and rather they have not seen eye to eye.

I would like to say a few words about the activities of foreign banks. Actually, they have taken away all our money. We should have strict vigilance on the activities the foreign banks. Similarly I would like to ask in what way we are going to deal with those who have got money by wrongful means.

So in short, I would like to tell that this whole thin will harm the interests of our nation and with the result crores of people are becoming poorer and only a handful people are becoming richer. So, this Parliament should not be a silent spectator to see that the rich people become more richer.

So, I earnestly request all our hon. Members to forget the party politics and see in what manner these poor people can be uplifted. Thank you.

SHRI SOBHANADREESWARA RAO VADDE (Vijayawada): Mr. Speaker. Sir, the scam that has taken place is an unprecedented one. I will not repeat the figures which was quote by earlier speakers and those amounts so not include the depreciation or loss suffered by several bands and institutions by the reason that they were holding securities, bonds which had depreciated in value as also losses which may occur in supplements which are in dispute.

It has been estimated that there is a depreciation of about Rs. 804 crore in the

value of bonds\*hold by banks against any Portfolio Management or other avenues.

In all fairness, I congratulate Shri Ram Niwas Mirdha and the members of the JPC who have take, lot of pains in inquiring into this episode and in arriving at a unanimous report. The report has brought to right the way in which some brokers could influence the banks, both nationalised as well as foreign banks, and financial institutions to siphon off huge funds utilise the same in the financial institutions to siphon off huge funds to utilise the same in the share market. While a few people have benefited at various levels, millions of people particular the investors have lost their savings, many a time the hard earned money. The impact is being seen in the share market as well as in the purchase of consumer goods in the market because crores of people have lost their money, some of which they could have spent on consumables. I may be forgiven for saying that quite a large number of people are slightly disappointed because the Report could not point out where ultimately this money has gone and who are the ultimate beneficiaries, for which, of course the committee has recommended that a separate committee may be formed with experts to inquire into that matter.

Basically it has been said that the scam is deliberate and criminal misuse of public funds through various types of scams, with the aim of illegally diverting the funds from the banks and the public sector undertakings to select brokers for speculative returns. These irregularities in the security and banking transactions are the manifestation of this chronic disorder. Not only the banks but also stock market financial institutions, public sector undertaking and the central banks of this country, namely, the Reserve bank and the other nationalised banks Ministry of Finance and other economic minis-

tries have suffered losses- of course in varying degrees:

Mainly the Reserve Bank of India, which is the custodian is the custodian of all banks and which has to see that the guidelines which are issued by the Reserve Bank of India are properly implemented, has failed miserably.

As far back as 1986, as some of our friends have pointed out, some instances had been found where this issue of Banker's Receipts were being misused. But in spite of the fact that these deficiencies and these irregularities had been brought to the notice of the respective banks' top management as well as the Reserve Bank of India, the Reserve Bank of India had not acted and it took them almost five years to give clear cut instructions on 26th July, 1991. Very precious time has been lost. If they the Reserve Bank of India has acted properly and in 1986 itself then the scam of this magnitude would not have taken place.

The banks issued B. Rs. even where S.G.L. securities are involved. It is a gross violation of the rules. A number of banks issued B.Rs. for securities which are not in their portfolio at all.

Really it is an astonishing factor that the Bank of Karad and the metropolitan cooperative bank, which are very small banks, were able to defraud several hundreds of crores of rupees of public money. One more surprising fact is that the Metropolitan Cooperative Bank is not even authorised to issue B. Rs. and even then it unauthorisedly issued 30. B. Rs. on behalf of its two clients who are dealing in share and securities granting Rs. 94 crore without the backing of securities. I do not want to mention their names as they are there in the report.

[Sh. Sobhanadreeswara Rao Vedde]

The National Housing Bank is not a member of the Indian Banks Association and it has not been specifically mentioned as eligible institution by I.B.A. for issue of B. Rs.

MR. SPEAKER: Shri Bhogendra Jhaji this is too much. Generally we do not have to cross between the Member speaking and the Chair. And that is being done and not only that but now discussions are going on

[Interruptions]

SHRI NIRMAL KANTI CHATTERJEE(Dumdum): Sri, did he hear you?

[Interruptions]

SHRI SOBHANADREESWARA RAO VEDDE: Sir, regarding the irregularities in the issue of S.G.L. transfer forms the committee has found that in a number of cases the banks had S.G.L. transfer forms to help the brokers and client raising money through them and there was no real support for the securities. A number of S.G.L. forms should have been taken to the notice of the R.B.I. also. It was not done.

These non-banking financial companies have also defrauded the nation by hundreds of crores of rupees.

MR. SPEAKER : Shri Rao, please conclude.

SHRI SOBHANADHREESWARA RAO VADDE: Sir, I have a few suggestions to make.

*The Mahabharata* was having 18 *Prakaranas*. This J.P.C. report is having

more than 18 chapters and after them there are some more additions. I have taken only 2-3 minutes.

MR. SPEAKER : You need not repeat what others have said. Do not say what has been said by others. There is no time for repetition. There is time for new points.

SHRI SOBHANADEESWARA RAO VADDE: Sir, because you are not good enough to give some time. I want to make some particular suggestions only.

The banking sector has become a breeding ground for corruption. It is a matter of knowledge to one and all that at the branch level also lot of corruption is taking place in the matter of implementation of the Government, sponsored schemes or when one goes to the bank to take loan. Only in very few cases some people are found guilty and they are being punished.

I would like to know why the Government and the top management was very callous in ignoring so many irregularities that have taken place contrary to the guidelines which you yourself have given.

It is really astonishing and there is reason to believe that. Many of these persons, who are at the top level management, are also beneficiaries because of these irregularities. Otherwise there is no point in tolerating that type of irregularities where thousands of crores of rupees of public money was allowed to go to these brokers to invest in the private companies in purchasing of the shares leading to the boom in the share market.

We have a lot of respect and regard for Shri Manmohan Singh, but he has the responsibility to see that the banks function properly. My friend Shri Chidambaram

was telling that it is a system failure. It may be true and there may be deficiencies which had been found from 1985 or 1986, but the system failure has accentuated and grown in leaps and bounds only during his tenure.

MR. SPEAKER : Let us sit for some more time to accommodate the hon. Members.

SOME HON. MEMBERS: No.

MR. SPEAKER : Otherwise, we will not be able all to accommodate all those Members who want to speak. Let us sit for one more hour and at more than that.

SHRI SOBHANANDREESWARA RAO VADDE: Sir, it is an admitted fact that the present Government's policy of liberalisation has helped, to a great extent, to the escalation of the irregularities. Even when the public sector undertakings were not expected to have banking transactions with the foreign banks, some public sector undertakings have had some connections and dealings with the foreign banks and subsequently, the Government's decision to allow the foreign banks to deal with the Government securities had given an opportunity for.

Sir, the Union Finance Ministry has not permitted the State Government of Maharashtra to issue irrigational bonds of Rs.100 crore from the beneficiary farmers, but the public sector undertakings have issued bonds for Rs.20,000 crore. The Indian Railway Finance Corporation alone has invested Rs. 700 crore from the sale proceeds of the tax free railway bonds with Canfina.

SHRI MANI SHANKAR AIYAR (MAYILADUTURAI) : Both the Ministers are sitting together. It has to be pointed out that it was also done in Mr. George

Fernandes's time.

SHRI SOBHANANDREESWARA RAO VADDE: The public sector undertakings have floated bonds to avail the cash credit facilities. They have not even utilised those bonds for their operations, growth or development but instead they have invested that money in the non-banking financial institutions under the subsidiaries of the nationalised banks and they have willingly routed that money to the private brokers who have utilised for speculative purposes in the share market which is clearly against the spirit with which these public sector undertakings were permitted to issue bonds to avail the cash credit facilities. So, my suggestion to the Government is, already a lot of time has been lost and in an unprecedented manner several thousands of crores of public monies have been lost.

Today Canfina has lost nearly Rs. 850 crores. Similar is the case with several other organizations. Whose money is this? Many a time people from the Treasury Benches were criticising the Janta Dal Government, the National Front Government which had introduced a scheme to write off the loans of the farmers, saying it was a very wrong thing to write off loans to the farmers of this country. But now the same Government has not even got any pinch when a few brokers whose names are mentioned in the report, are able to swindle thousands of crores of rupees.

It is high time, the Government without even wasting a single minute, should institute a thorough enquiry into all these irregularities which have been pointed by the Joint Parliamentary Committee and take drastic action against all the persons either from the banks or from the public sector undertakings or the financial institutions and the members of the council of ministers

[Sh. Sobhanandreeswara Rao Vedde]

who are directly or indirectly responsible for all these irregularities.

Of course, I agree with my friends who have said that though Dr. Manmohan Singh is hundred per cent correct and having the highest integrity, the moral responsibility is there because the Government should have prevented such of these irregularities and should have seen to it that the bank funds, the public funds utilised to the best possible way in the interest of investors and the people of this country. The Government has miserably failed to undertake such a responsibility. It has failed to implement its own decisions and, therefore, the Government must resign. All the persons responsible for such irregularities should be taken to task.

With these few words, I thank you for giving me time.

[Translation]

SHRI SURAJ MANDAL (Godda): Mr. Speaker, Sir, today we are discussing the report of the Joint Parliamentary Committee, which has been presented in the House.

Sir, when the issue relating to this scam was raised in this House, the Government felt immediately thereafter that some bungling has been committed and a Committee was constituted to probe into it. The Chairman and the Members of this Committee worked hard for one and a half year to bring out the facts and present them before this House and the people of the country. Today, the Members of the opposition and the ruling party are here to discuss the issue.

Mr. Speaker, Sir, it is very painful that the persons who according to the report of

the Committee are being directly involved in the scam are sitting here very confidently and are not tendering their resignations but the person against whom charges have not been levelled directly has tendered his resignation. I mean the Finance Minister, has tendered his resignation.

Thus, it is obvious that even today some people value morality and on that ground they resign. People from the ruling party and all the world over are watching as to what the Parliament is going to decide. Thousands of crores of rupees have been swindled away. There is a saying in Bengali when frogs dance at snake's tune, then there is definitely something fussy above it. The stock brokers and the Government officials who swallowed this money had the blessings of the higher ups.

As per the committee report action should have been initiated and those who should have resigned must resign. Today, the bureaucrats are casting aspersions on the political parties for a small amount of money. The names of senior officers have not been included in the Committee report. Many officers have bought shares in the name of their relatives. Chidambaram sahib had bought shares he accepted this and tendered his resignation. The economic reforms which the Finance Minister has brought about shows improvement but the people belonging to lower sections are suffering losses. The money which was invested for the development of Public Undertakings has been swallowed by the share brokers in collusion with officers. When a small industrialist goes to the Bank for loan, the bank demands security and for want of security the bank does not grant him loan. Has any such security has also been sought the banks? It needs to be probed the farmers also take loan from banks for buying pumpsets but when we go to our constitu-

encies we see that the Police goes to them with a warrant, arrests them and puts them behind the bars. Thereafter, They are asked to pay Rs. 30/- They are is informed there they will stay in the jail and have their food there and pay money from their houses. In my State there is only 33 percent investment of the banks that money has been taken away by the share brokers, officers and some big people. It is an injustice to the poor people. The officers involved should be sued in a court of law and punished and the Ministers involved in this matter should be removed. If the officers indulging in misappropriation are brought to book, it will restore the prestige of the Parliament. No action has been taken. After discussing the issue for two days the people will be given an the impression that Parliament and the Government are for the poor people. There is a provision in the law to punish the farmer who takes loan and does not repay it but it does not apply to big people. Whatever it may be, people know that whoever commits a crime, the police arrests him and demands money from him. When one takes a loan from the banks, the Police van comes for the recovery of the loan, but what is the reason that the share brokers responsible for this scam, are not being punished? This is what the people of villages say. Sir, I, therefore, want to say that the credibility of the largest investigating agency, C.B.I., is also doubtful. Now, it is for the Government to contemplate as to how it is going to take stern action against the persons who have swindled away the wealth of the country. At the same time it should be investigated as to where the money of the poor people was siphoned off. The money should be recovered. Everybody knows that this money is invested for house. You will find that construction of a number of houses in trans-Yamuna area of Delhi is yet to be completed. When I enquired as to why the houses are not being

constructed, I was informed that funds allocated for this purpose have been invested in the share market. So, what I mean to say is that it is the poor people who are being made the scapegoats. They have been trapped in the new economic policy of the country Stern action should be taken against the persons who are responsible for draining one poor people's money to foreigners in collusion with the foreign bank. They should be sued and those Ministers of this Cabinet whose names have been mentioned in the report should tender resignations if they have an iota of modesty left in them. With these words I conclude.

[English]

SHRI E.AHAMED (MANJERI): Mr. Speaker, Sir, I congratulate the Chairman and the members of the JPC for the excellent work they have done. No doubt, this Report will be a landmark in the annals of restructuring the economic system of this country. I applaud the Chairman and the Members of the Committee for suggesting numerous corrective measures and I hope these corrective measures, as suggested by the JPC, will be implemented in *toto* without any loss of time.

The thrust of the entire JPC report, as I could see, was the rectification of the present system that is prevalent in our economic field. Going through the report I also congratulate the Chairman and the members for giving a thrust for certain reforms in the economic system. I could not see any word of witch-hunting in the report for which they rightly deserve the congratulations and compliments of this House.

I would like to just point out two matters in this regard. One is the role of the foreign banks. The role of the foreign banks is definitely to be checked in. But as it was

[Sh. E. Ahamed]

pointed out by the Chairman of the Committee when he was talking to the press after submitting the Report, the foreign banks have become an integral part of our national life, of our economic system. But the foreign banks are adopting different tactics, exploitative tactics which they call as the market practice. This is the things which we have to take note of. The Committee in its Report on page 48, para 8.1 has mentioned about it and I quote:

“Foreign banks have a significant place in the Indian Banking System and some of them have been operating in India for over a century. They are generally operating in main cities only and they have an insignificant numerical presence with 45 banks having 140 branches and 23 representative offices (21 banks having representative offices only) as on 31st March, 1991 as compared to that of Indian Banks (about 65000 branches).

Para 8.2 reads like this, and I quote:

“The net profit of these banks has grown by more than six times during less than five years from a mere Rs. 66.59 crores in December, 1987 to a hefty Rs. 433.09 crores on March, 1992”. This shows that some of the banks are indulging in ‘the market practice, as they call it. But it is an exploitative tactics in the banking system. But we have to note one thing. Out of these 45 banks, the Committee has mentioned only about four banks. That itself is a welcome feature. But how will we be able to check it? The measures to check this should be taken by strengthening our banking system to have a check on these exploitative measures adopted by these foreign banks. We cannot do away with the foreign banks. We are to change the entire

system through which we will be able to check this market tactics adopted by these foreign banks.

I would like to mention here another point. Other Members have also mentioned about it any much. Therefore, I do not want to take much of the valuable time of the House repeating the very same thing. But the total restructure of the economy of this magnitude is seen for the first time in the history of this country. When there is such a restructure of this magnitude, naturally, there will be such a withdrawal. And this Scam is, maybe, one such withdrawal. You may even call it a necessary evil. But the question before us is whether the country wants to have the restructure of our economic system or not, whether the country wants to meet the challenge of the 21st century or not. I was given to understand about the left parties' politics. They are all for the change. Even they have been calling their great leader Lenin and saying, ‘change, change and change.’ But when it comes to economic polices, they say, ‘no change.’ The which is the economic policy which they are following? is it that economic policy which has been practised in the Soviet Union? There also, it has collapsed. I do not say, everything is bad. But in a country like India's magnitude, size and variety, how will we be able to just keep quiet when the entire world is changing? Here is a man who wants to take this country to the 21st century. How are we to respond to this man? That is what I am asking. Therefore, the question before the country is, when this country is passing through such a critical stage to face the challenges which the world is facing, if we also have a system of economic restructure, then we will be introducing such a system and naturally this will be like that. Everyday there will be hick-ups. And it just one hick-up and it will naturally heal up. We have to see in that way.

It does not mean that we are not to take the corrective measures as recommended by the Committee. We have to implement them effectively and priority should be given for the implementation of that work. But, here is a Finance Minister, whose personal integrity has not been questioned even by his worst political enemies. I do not say that he does not have any personal enemies. Here also is a man and I just remember having heard that he was taking only one rupee by way of his salary. I do not know about it. If it is otherwise, I stand corrected. Anyway, he is a model to many of his fellow politicians like us. They can not be passing through a difficult not be let down on this point that the country is passing through a difficult period.

SHRI TARIT BARAN TOPDAR (BARRACKPORE): Sir, He is not speaking on the subject.

SHRI E. AHAMED : Shri, I am speaking on the subject but, my friend is very intolerable.

What I am saying is that the Finance Minister has followed the high traditions of our parliamentary democracy. He has become a model to other politicians in this country. He has owned moral responsibility. This is a noble gesture on his part for which every one has to congratulate him. I feel that we have to respond to such a noble gesture of this man. What can be our noble gesture? That noble gesture is that we have to reject the resignation that he has submitted before the Prime Minister. That is the only way by which we will be able to respond to a man who done so much for this country at a crucial time; he is a man, who has saved this country.

MR. SPEAKER: On that point, there is in agreement.

SHRI E. AHAMED: Sir, I was saying that because some MPs have said that it is because of the economic restructuring that he has introduced. I cannot do justice by dividing the Finance Ministry and the Finance Minister on the one side and this Report on the other. This Report is an unanimous one. To put the record straight and also to justify when I have said, please permit me to quote from page 223 of this Report.

MR. SPEAKER: That Report is already in the hands of all the Members.

SHRI E. AHAMED: Sir, I am only reading a portion of this unanimous JPC Report. It has been stated by the Finance Minister that "The Finance Minister cannot be held responsible for administrative failure or management deficiencies in the case of individual banks and other financial institutions."

The most important thing is that there are administrative deficiencies; there are deficiencies in the system and we have to take all the corrective measures to change that system. One of such measures which this committee, including some of the Members from the opposition, have mentioned is about the nomination of members by the Reserve Bank on the Boards of other commercial banks. I would say that this nomination should not be on the ground of "any other consideration" but, it should be based on their efficiency, their knowledge, and their experience in the economic field. Many a time, I found that many of these nominations are made on certain grounds.

SHRI TARIT BARAN TOPDAR: On political grounds.

SHRI E. AHAMAD : That is also there. Even in West Bengal, you will find that all the nominations are made on political

[Sh. E. Ahamed]

grounds . It is like that everywhere. Why should we hide the facts? At the State Government level or at the Central Government level, the nomination to such technically important institutions should be based on merit.

MR. SPEAKER: Shri Ahamed, please conclude.

SHRI E. AHAMD: Sir, I am very much thankful to you for having called my name. With due respect to your advice, I wish to conclude by saying that all Corrective measures should be taken and our Prime Minister should not accept the resignation of the hon. the Finance Minister, Shri Manmohan Singh. He is a hyperactive Minister in the Council of Ministers.

MR. SPEAKER: Thank you very much.

SHRI SOMNATH CHATTERJEE: Can he abuse all other Ministers like this!? He is abasing all other Ministers, including Shri Arjun Singh. Everybody is bad: only one good Minister! That is his statement.

SHRI E.AHAMED: Hon. Chatterjee wanted me say do so. But I will not do that.

MR. SPEAKER: Shri Pawan Kumar Bansal to speak now.

SHRI MANI SHANKER AIYAR (MAYILADUTURAI): These are star speakers. Cannot we have it tomorrow, Sir?

MR. SPEAKER: There are many speakers.

SHRI PAWAN KUMAR BANSAL (CHANDIGARH): Mr. Speaker Sir, two and a half years back an economist of world

repute, an intellectual of high calibre and an uni-impeachable Unassuming out an able financial administrator of impeccable was preparing for retirement and an eventful career spanning ever decades.

[Translation]

SHRI RAJENDRA AGNIHOTRI (JHANSI): Has any one given you all this in writing.

[English]

SHRI SOMNATH CHATTERJEE: He is blushing.

[Translation]

SHRI NITISH KUMAR : Sir, he is not confident on what all he is saying.

[English]

SHRI PAWAN KUMAR BANSAL: This gentleman, Dr. Manmohan Singh was looking forward to post retirement days of quiet solitude devoted once again perhaps to the field of academics. That was the time when Shri P.V. Narasimha Rao was taking over the reins of this country as the Prime Minister. He inherited an economy that was in a shambles and a society that was torn apart on lines of Community and caste in the wake of agitations over Mandal and Mandir issues. He had been called upon to shoulder the onerous responsibility in the crucial juncture of our history...[Interruptions]... I am coming to that.

He had to his credit 50 years of experience in public life. He recognized the yearnings and aspirations of the people . He was alive to the object poverty and illiteracy stalking the length and breadth of our country . Shri PV Narasimha Rao then ap-

preciated the imperatives of economic reforms, to meet the people's expectations. Having worked very closely with Smt. Indira Gandhi and Shri Rajiv Gandhi, he was to be the architect of India's blue print to the future. When destiny called upon him to lead the nation, he thought of Dr. Manmohan Singh as the tool to effect necessary economic reforms and to bring about the necessary structural changes for the ultimate good of the country, of the vast multitude of the country. Dr. Manmohan Singh responded to his call. His inclusion in the Council of Ministers was widely acclaimed and from day one he set about to invigorate the economy. This was generally welcomed by all except of course our friends who continue to stick to those textbook theories that have been tried and rejected in the land of their mentors. Understandably Shri Bhogendra Jha was again referring to those today. Plans to liberalize the economy, to integrate it with that of the world, were undertaken and efforts in this regard started yielding results.

The growth rate picked up and the inflation rate was brought down drastically. While the government was engaged in a sincere endeavour to raise the living Standard of every Indian, to make freedom meaningful to them and to earn for India, the pride of place in the world economy, an unwholesome alliance between some unscrupulous elements amongst the industrial house, Stock exchange brokers and amongst some bank and PSU management took advantage of the optimism prevailing in the country about the economic reforms and contrived to artificially push up the stock market and to lure millions of investors to invest their savings in the stock market. The unprecedented rise in share prices, as it later transpired, was fuelled by the easy flow of funds to stock market through sanction of even unauthorised credit facilities to some

brokers, by some banks by way of overdraft and discounting of bills covering shares and debentures as also through fraudulent manipulations of the investment portfolio Management schemes. This has been duly acknowledged by the JPC.

As a result of this, the unwary countrymen, a large number of middle class professionals and salaried class people were taking taken up the path of milk and honey, losing their meager savings on the way. By the time the scam came to notice all was over for them. This was somewhere in March - April 1992. Till then, not only the Finance Minister, not only the Government, but each and every one of us attributed this inter alia to the market factors and the flow of NRI investments.

Sir, it is pertinent to mention here that till then none from the opposition raised this issue. [Interruptions] I am conscious of the questions. [Interruptions] That was in March 1992 and the JPC refers to that. (Interruptions)

SHRI SRIKANTA JENA (CUTTACK): Shri George Fernandes has raised this issue on the floor of the House on 30th April. (Interruptions)

SHRI PAWAN KUMAR BANSAL: I am talking of March, Sir. That is exactly what I am saying. (Interruptions)

SHRI ANNA JOSHI : It is on record. Both Shri Vajpayee and Shri George Fernandes have raised this issue here. (Interruptions)

SHRI PAWAN KUMAR BANSAL : Since Mr. Jena rose to refer to what Shri George Fernandes said, I would like to seize this opportunity to say that Mr. George Fernandes, at the first opportunity in this

[Sh. Pawan Kumar Bansal]

House said that he had the names of the Ministers who were involved He went to Bombay thereafter .He went to Bombay and mentioned he had four names. Thereafter, he raised it to five . Sir, I acknowledge that he is always available to the House with a lot of back up on aklais. Perhaps, for the first time, Shri George Fernandes went wrong. It was later that it was made known to him about who could those five Ministers possibly be.

Sir, with due respect to him I would say, that the names have not been disclosed for the reason that -subsequently it transpired that one of the corporations which had become wittingly or unwittingly apart of the entire game , was IRCON, under the ministership of Shri George Fernandes then.

Sir, JPC notes in paragraph 1.5 that the irregularities surfaced for the first time on 23rd April 1992 when the Press highlighted that the State Bank of India was making frantic efforts to reconcile the books of its securities and investment department in the wake of the discovery that several hundred crores of rupees had been advanced without following due procedure and possibly without collateral securities.

Here, I want to say that it was on 28th March 1992, that is before 23rd April 1992, that the Hon .Finance Minister held a meeting of the Presidents of the Stock Exchanges and the Chairman of SEBI.

It was there that he impressed upon them the need to maintain efficiency and orderly stock market behavior to promote the confidence of investors and directed the

RBI to regulate the bank credit for share transactions and conduct of searches and raids on business and residential premises of a group of borders.

SHRI SRIKANTA JENA (CUTTACK):  
Then, what happened?

SHRI PAWAN KUMAR BANSAL: That is exactly what I am saying. The Finance Minister took prompt action in the matter .[Interruptions]

[Translation]

SHRI GEORGE FERNANDES (MUZAFFARPUR): Please accept my resignation and appoint him in my place. Please accept my resignation from retrospective effect.

SHRI MANI SHANKAR AIYER (MAVILADUTURAI): You should have resigned from the J.P.C.

SHRI PAWAN KUMAR BANSAL: Had you been a Minister, you would not have uttered these words. At that time , you knew that was happening.

SHRI MANI SHANKAR AIYER: [Interruptions] \*\*

[English]

MR. SPEAKER : This is not going on record.

[Translation]

SHRI MANI SHANKAR AIYER: Today you are asking the minister to resign.. [Interruptions]

SHRI GEORGE FERNANDES: Mr., Speaker, Sir, I do not want to raise a discussion on the J.P.C. but some members have said it outside and some have raised it here also. I went through a lengthy article wherein it has been said that Shri Man Mohan Singh should not resign because similar things has also happened, when George Fernandes was the Minister of Railways and.... [Interruptions] .. George Fernandes is responsible for it, he used a word on the basis my statement, of course you were kind enough to expunge the remarks from the record....[Interruptions...]

Mr. Speaker Sir...

(Interruption )

What charges were levelled on me in J.P.C.? What questionnaire was prepared by J.P.C. for that? Which charge sheets were sent by J.P.C. in this regard? What reply the J.P.C. sought from me and what reply I did not furnish and how I continue in J.P.C.? Answer to all this should come before the House. Because such a thing, as you said should not be discussed in the House and I thank you for this, but it is said outside the House and we are keeping quiet. I would like to know as to what charges had been levelled against me by the J.P.C. which I had declined to respond.

Mr., Speaker, Sir, please ask Shri Mani Shankar Aiyar to reply this... [Interruptions]... or you say that this questions are meaningless. It should be settled to day... [Interruptions]

SHRI MANI SHANKAR AIYAR: I will not give the reply at the moment. But in I will give the reply when you permit me , I would give the reply to Shri George

Fernandes.. [Interruptions]

MR. SPEAKER: What happened in the joint select committee should not be discussed in House. I there was something, it should have been brought to their notice and whatever decision you people wanted to take, it should have been taken at that time. If it was not raised at that time, no Member should raise this matter in the House now.

SHRI MANI SHANKAR AIYAR : Excuse me, I did not say that what was discussed in JPC is related to him. I am saying that according to JPC report, Shri George Fernandes is to be blamed as much as it has been said about other Ministeries and that is why I seek your permission to give him the reply... [Interruptions]

SHRI NITISH KUMAR (BARH):.. [Interruption]

All have heard it.

SHRI TARIT BARAN TOPDAR:..... (Interruption)

Mr. Speaker : Please sit down. whatever has been said, I have heard it. I have my own view about that, on that basis whatever can go on record will go and what cannot go will not go. In my opinion JPC members should not discuss the matter of JPC here. Whatever is being discussed here could have been discussed in JPC also. If it has not been discussed there then it is a fact that no member is involved in it. The hon. member who was in the JPC at that time should be kept in mind. Whatever has appeared in the report, its interpretation should be done by the right method and not the wrong method

[English]

SHRI TARIT BARAN TOPDAR: Sir, what about his irresponsible comment?

MR. SPEAKER: I am looking into all those things.

SHRI MANI SHANKAR AIYAR: Sir, I take responsibility for that comment. [Interruptions]

[Translation]

MR. SPEAKER: Please sit down. You are getting up again and again.

"I take full responsibility for the comment"

SHRI NITISH KUMAR: He has just said, [Interruptions]....

[English]

SHRI MANI SHANKAR AIYAR: I take full responsibility of what I have said against Mr. George Fernandes.

[Translation]

MR. SPEAKER: I am not able to understand whether you want to help me or you want to complicate the matter. Now the matter has been settled and do not elaborate it... [Interruption]

SHRI NITISH KUMAR: He stood up and said

[Translation]

I take full responsibility ..... [Interruptions]

[Translation]

George sabeab asked it... [Interruptions] Otherwise it would send a wrong impression through the media .... [Interruptions]....

MR. SPEAKER : please sit down.... [Interruptions]. [English]

MR. SPEAKER : It is not going on record, why are you unnecessarily raising it? What do you want to bring on record when it is not going on record?

[Translation]

This is a big incident. Where the money has gone, who took it, is the most important thing. If we ignore this fact and indulge in leveling charges against one another, than perhaps we are not discharging our duty in the true sence.... [Interruptions]

[English]

MR. SPEAKER: Now, please do not worry about those things. I will carefully go through the record and whatever can go on record will go; otherwise, it will not go.

[Translation]

If you try to get up again and again like a college student and say something, it is not a good thing.

[English]

SHRI PAWAN KUMAR BANSAL: The only irresistable conclusion that one would draw after going through the entire report of the JPC is that there was a system failure , and it was as back as 1986 that there were some warning signals which

were not headed to. It was in this context that I was wanting to make my presentation and it was just on the intervention of Mr. Jena that I had to say with all humility that five names which were promised to be revealed by Mr. George Fernandes were not really made known....

MR. SPEAKER: Mr. Bansal, I have been following the debate very carefully and to the credit of all the Members, it should be said that they are not trying to allege things but they are trying to interpret things and let us not interrupt in a manner that we may look alleging against each other. Let us do our duty to find out what has really happened and how we can act so that it does not recur again.

SHRI PAWAN KUMAR BANSAL: I will do that precisely.

MR. SPEAKER: I am finding that when you are trying to defend somebody, you are unnecessarily bringing names and when they are trying to defend somebody, they are also bringing names. Why don't you leave it? I think there is a broad consensus on certain points and we should be happy about it instead of just undertaking those things.

[Interruptions]

SHRI PAWAN KUMAR BANSAL: I was submitting that at the time when the enormity of the came to known, nobody had really being honest about it, anticipated the cause thereof. Sir, responding to a Call Attention Motion in this House on 30 April 1992 - here. I am taking only of the events in March and April 1992 when this came to known - the Finance Minister acknowledged the occurrence of malpractices as regards

securities transactions. He informed the House that he had asked the RBI to look into the whole matter appointed Jankiraman Committee for the purpose it became apparent that bank frauds had been committed and used for that purpose Government did take various steps. An ordinance was immediately promulgated for the establishment of a Special Court for the trial of offences relating to transactions in securities. The matter was also referred to the CBI. Administrative action was taken against the responsible officials.

SHRI K.P. REDAIAH YADAV : (Machili Patnam) Is it not a repetition?

MR. SPEAKER : Mr. Bansal is a very good parliamentarian. I hope he understands what you are saying.

SHRI K.P. REDDAIAH YADAV: I he not repeating the points already made?

MR SPEAKER: I agree with you. I leave it to his judgment.

SHRI K.P. REDDAIAH YADAV: When Members representing Adivasis and weak sections speak they are not allowed to continue. But pleasantries are exchanged here between. [Interruptions]

MR. SPEAKER : What the hon. Member has said. will not form part of he record. I take strong objection to what you said, It is not going on record. [Interruptions]

SHRI PAWAN KUMAR BANSAL : I am only trying to show what corrective measures have been taken. I can even give speaking, if they feel so.

MR. SPEAKER: Mr. Bansal, what he is

saying is very correct, It is not necessary to repeat the points. As far as the Finance minister is concerned, many members from both the sides have said what they have to say,

SHRI K.P. REDDAIAH YADAV:  
[*Interruption*] .....

SHRI PAWAN KUMAR BANSAL : I take objection to the hon. Member's words. I am speaking because I am concerned., There is a limit to what an hon. Member can say. [*Interruptions*]

MR. SPEAKER : I strongly object to his saying such words. What he said will not go on record and I have already told him that he should not say that.

(*Interruptions*)

MR. SPEAKER : Now, Mr. Bansal, you need not recount everything . Whatever has been done is already referred to by others,

SHRI PAWAN KUMAR BANSAL: No Sir. Allegation have been made that the government did not take any corrective action. In all humility, I am only trying to state what corrective action has already been taken.

MR. SPEAKER : Then you can say that the Government has taken corrective action.

SHRI PAWAN KUMAR BANSAL: Since morning what corrective measures have been taken by the Government have not been referred to in the debate at all.

[*Interruptions*]

MR. SPEAKER ; Please be brief.

SHRI PAWAN KUMAR BANSAL: I was , in all humility referring you what corrective measures have been ran in the debate st all. [*Interruptions*]

MR SPEAKER : Please be brief.

SHRI PAWAN KUMAR BENSAL: I was in all humility referring to what corrective measures have been taken by the Government. I am on that point.

MR. SPEAKER; Then you say, "1, 2, 3, 4, 5, 6, 7.. these are the corrective measures, I am extending the time until Shri Bansal finishes his speech.

SHRI PAWAN KUMAR BANSAL: Then please tell me how much time I can take.

MR. SPEAKER: I will give you enough time.

SHRI PAWAN KUMAR BANSAL: Sir, steps have been initiated for effecting transparency in transactions and for monitoring audit of the accounts of stock brokers. Besides this, the stock exchanges have been asked to introduce capital adequacy norms for stock brokers. The SEBI has also finalised norms for regulation of transactions between clients and stock brokers. Such measures include periodic inspection of stock exchanges, setting up of a Technical Group to examine the required legislative changes for establishing a National clearance and settlement system, setting up of a National stock Exchange, giving encouragement to the growth of corporate membership in stock exchanges, to professionalize such membership for better services to investing public and so on. Sir, a high level coordination committee on financial and capital market has been set up for coordination amongst the RBI, the Ministry of

Finance and the SEBI on matters relating to capital market.

Under the SEBI Act, rules and regulations have been notified for matters relating to stock-brokers, for prevention of insider trading and price manipulation, for merchant bankers and for portfolio management, etc. Sir, instead of considering ways and means to bring about much needed systematic changes to improve and rebuild the system and to restore our self confidence and to secure for ourselves an important place in the world economy, but unfortunately what we see today is only a crescendo of disparate accusations against the present Government.

Sir, democracy is a double edged weapon which can swing either way. I consider the principle of ministerial responsibility to the Parliament as Saerosar but this principal cannot be stretched and must not be stretched to the breaking point. with the floating of a large number of PSUs and the increased role of Government in economic activity, it may, at times seem and harm democracy itself if we were to hold a Minister responsible for sanction of an officer which is not, I repeat, which is not of the nature of a sovereign function of the Government.

I am conscious of your direction about time but I would seek your intelligence to repeat only one sentence instead of the entire para from the report of the Joint Parliamentary Committee. In Para 16.61 it says and I quote:

"In light of the above, the Committee feel that the responsibility and accountability of the Finance Minister to Parliament cannot be denied."

and then after adverting to his statement before the Committee in Paragraph 16.62 it says and I quote:

"The Committee feel that such a destination cannot be sustained by the constitutional jurisprudence under which the Parliamentary system works."

Sir, I hold the JPC in high esteem. I know that they have laboured for 16 months and burnt midnight oil to sift the evidence but with all humility and respect to the JPC. I would not like to refer to the terms of reference but I would say that this is perhaps beyond that. This one observation calls for a detailed discussion as to what is the requirement of the Constitution as for as the Ministers' responsibility to Parliament is concerned and whether hon. Finance Minister appeared before the Committee and tried to distinguish between the various functions, what was the connotation thereof and what really we have to work out, has to be the ideal situation in which the parliamentary system functions. I would only say that any reference which was made earlier to the resignation by Shri T.T. Krishnamachari does not hold good that was a case in which the judge trying the matter had come to the conclusion that the advancing of Rs. 1 crore by the LIC to the firm of mundhras was suspicious and through it was done under the direction of the Finance Secretary it was the Minister who could not shelve the responsibility. These ingredients are completely missing here.

Sir, you know in their entire report what recommendation did the JPC make. it will be stretching too far if we were to say that JPC holds the Finance Minister guilty of any of these acts. To conclude, I would say...

MR. SPEAKER: You can have more

time if you want. I did not want you to cut short. I only meant that you should not repeat whatever has already been said. I have already said that until you have made your point, you will be allowed to speak and we will extend the House accordingly.

SHRI PAWAN KUMAR BANSAL: Thank you, Sir, Now I come to Paragraphs 4.9 and 4.13. *[Interruptions]*

19.00 hrs

MR. SPEAKER: He is trying not to repeat the points. He is trying to make the points.

SHRI PAWAN KUMAR BANSAL: It says:

"It is evident that many of the irregularities in securities transactions that took place in 1991 and 1992 had been building up since the mid-80's if not earlier, and could have been minimised if the authorities concerned had heeded to the early warning signals. The RBI issued several circulars, including the one in July, 1991, prohibiting these misdeeds and yet everything that was sought to be prevented in fact, accelerated and assumed uncontrolled dimensions."

Sir, Mr. Vajpayee referred in this context to the Report of Mr. Augustine Kuriar kindly permit me to just read a few lines which have been reported by the JPC.

"Serious inaction of the RBI in dealing with the Kuriar Report only highlight the manner in which the responsibilities are discharged by the senior officials in RBI. If only the top management of RBI had taken ac-

tion in 1987 on these recommendations, the abuse of BRs, SGLs, Bankers cheques which were instruments of scam could be considerably moderated."

Sir, I fail to understand how in this context of things, the fellow travellers of. Shri V.P. Singh, Shri Madhu Dandavate and Shri Yashwant and Shri Yashwant Singh who at different points of time were the Finance Ministers of the country during the time the JPC refers- that there were warning signals how those fellow-travellers have the moral right to train their illicit guns against the present Government....*[Interruptions]*

*[Translation]*

SHRI DEVENDAR PRASAD YADAV: (Jhanjharpur): Mr. Speaker, Sir why Mr. Aiyar is sitting.

SHRI MANI SHANKAR AIYAR: Till now, he was afraid when I stood up and now he is afraid even when I am sitting.

MR. SPEAKER: At times we are afraid even when you speak.

*[English]*

SHRI PAWAN KUMAR BANSAL: Sir, one hon. Member speaking before me referred to the Goldstar's reference in the JPC Report. Sir, with all respect, I would wish to submit that confusion has been created on this issue of loans advanced by the Andhra Bank Financial Services Limited to one Mr. Krishna Mohan who was the Managing Director of the Goldstar Steel and Alloys Limited. Sir, the order of Justice Variave of the Special Court, the bank records, the income tax records and the Goldstar's own Balance Sheets which were published much before

scam came to light, all establish that it was only a Personal loan to Mr. Krishna Mohan as a promoter for taking up the shares of Goldstar.

SHRI ANNA JOSHI: Why?

SHRI PAWAN KUMAR BANSAL: You please go through the Report.

Sir, I am somehow aghast that the hon. Members rush to preposterous presumptions only because the Prime Minister's son happened to be Director of that Company...He was not a party to the loan in any way.

SHRI SOMNATH CHATTERJEE: These are the friends of the Prime Minister! Nobody said that. *[Interruptions]*

SHRI PAWAN KUMAR BANSAL: One hon. Member said that. One hon. They were said that.

SHRI SOMNATH CHATTERJEE: Nobody said this thing. You are saying this.

*(Interruptions)*

SHRI SOMNATH CHATTERJEE: There was to be an Inquiry on this Goldstar Company. Let the Inquiry be made.

*(Interruptions)*

MR. SPEAKER: That is why I am saying be careful while speaking.

SHRI SOMNATH CHATTERJEE: Mr. Bansal, you are spoiling your own chance.

SHRI PAWAN KUMAR BANSAL: All these remarks came from one hon. Member. I was noting them down. Therefore, I was referring to it. Sir, if you wish, I will close

the matter here. But I would only like to say one thing. Mr. Krishan Mohan gave his shares as security and paid with interest before the...

*(Interruptions)*

I would wish to say that these are the issues on which we are supposed to be giving serious consideration. Unfortunately, may be towards the end of the day I have the opportunity to speak and all these interruptions I have to face but I did not an hon. Member making these remarks. I do presume that remarks in the House are not made lightly and therefore, I have to refer to that.

SHRI SOMNATH CHATTERJEE: Sir, if he is referring to me, then I would say that I did mention that. I said, 'there is a reference to Gold Star and there is also recommendation for proper investigation. Let it be done.' I never mentioned any name. I never mentioned Prime Minister. *[Interruptions]*

SHRI PAWAN KUMAR BANSAL: You please check up your speech, you will find what you said. *[Interruptions]*

SHRI SOMNATH CHATTERJEE: You are divulging the Prime Minister. *[Interruptions]*

SHRI PAWAN KUMAR BANSAL: After a lesson in human reproduction and the role of 'x' and 'y' chromosomes, a science teacher asked his students as to what determined the sex of child. One student got up and said it is determined ultrasound test. *[Interruptions]*

SHRI A. CHARLES (Trivendrum) : This type of running commentary during the debate is not good, Sir. *[Interruptions]*

DR. G.L. KANAUIA (Kheri): What is the connection between JPC report and chromosomes? *[Interruptions]*

*[Translation]*

MR. SPEAKER: I will say something only after listening to him.  
*[English]*

SHRI PAWAN KUMAR BANSAL: They are proving my point. I am saying that similar is the response of the hon. Members in the opposition to important issues that crop up in the House from time to time. Only one thing that we hear repeatedly from them is, 'Appoint a JPC'.

I hold highest respect to the institution of Parliament but I am of the humble opinion that JPC or any JPC for that matter is ill equipped to carry out any investigative function.

Much has been said about the unanimity of the report. I do not want to go into these things. It is good that we have unanimous report, but it was perhaps for ensuring that the work of the Committee did not fail, some sort of unanimity was arrived at and different interpretations are being placed on that. They are talking of scars of compromise. They do not know, how we all tend to just stick to our party lines; how we try to score political points in that and how we indulge in self-illusive game of badger baiting the government once some report comes in the House.

Sir, an hon. Member like Shri Vajpayee began with uncharitable reference to an earlier report of JPC. That is how we are placed and that is how we look at things. With all humility I would submit—Mr. Chidambaram referred to that— I know it is not really argumentative but there is such a

voluminous report, there was voluminous evidence before the Committee. It could have possibly not been adverted to as different conclusions were possible. Today by picking up a sentence here and a sentence there, you are rushing to conclusions, you are castigating the entire Government, you are demolishing the faith which the people have placed in the Government. Where will this lead us to? It is for anybody to guess, it is absolutely essential today that we preserve our confidence in the institution as and given that we try to improve upon those.  
*[Interruptions]*

SHRI RAM NAIK (BOMBAY NORTH): The JPC was instituted by Parliament and so it is a parliamentary institution. The hon. member is trying to reduce the importance of the JPC.

SHRI PAWAN KUMAR BANSAL: I am not wanting to play down the importance of the JPC. The JPC has a very important role to play in the parliamentary system. I am not denying that. But what I am saying with all humility is, that given a situation as this, which requires sifting of tonnes of evidence, the JPC is not fully equipped to do it— any JPC for that matter—but this JPC has done a remarkable job. I began with that and I said so also earlier. I am sorry that I have been misinterpreted as to what I was saying.

I am sure that good sense will prevail. We would like to know what the people of the country have given the mandate for. *[Interruptions]*

*[Translation]*

SHRI DILEEP BHAI SANGHANI (Amreli): Mr. Speaker, Sir, I am on a point of order.

MR. SPEAKER: What is your point of order.

SHRI DILEEP BHAI SANGHANI: Mr. Speaker, Sir, the Hon'ble Member should not cross the floor in between you and the Hon'ble Member who is speaking. But, Prof. P.J. Kurien has just now crossed the floor.

MR. SPEAKER: Your point of order is right. Thank you for raising it. He should not do like this. That is not to be done.

PROF. P.J. KURIEN (Mavelikara): Sir, I did it with humility.

MR. SPEAKER: You cannot cross between the hon. Member speaking and the Chair. It is being done generally. I am very happy that some hon. members have become very correctly sensitive to it should not be done.

SHRI PAWAN KUMAR BANSAL: To conclude in one sentence, I would urge upon the hon. Members from the opposition to really see the writing on the wall to

realise as to what the people in the country want, how the people respond to the resignation submitted by the hon. Finance Minister, to see as to how the people want the present Government to go ahead undeterred with the reforms undertaken by the Government so that the results are felt by the people. I am sure realising the mandate given only last month by the people they would see the writing on the wall and desist from such sort of criticism which has been levelled against the Government.

MR. SPEAKER: I would like to thank all the hon. Members for the excellent co-operation and the orderly debate which may be repeated tomorrow also. Thank you.

The House stands adjourned till 1100 hours on 30th December, 1993.

1913 hrs.

*The Lok Sabha then adjourned till Eleven of the Clock on Thursday, December 30, 1993/Pausa 9, 1915 (Saka)*