

LOKSABHA DEBATES
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EIGHTH SESSION



TENTH LOK SABHA

LOK SABHA SECRETARIAT

NEW DELHI

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LOK SABHA DEBATES

LOK SABHA

Thursday, December 30, 1993/

Pausa 9, 1915 (Saka)

*The Lok Sabha met at
Eleven of the Clock.*

[MR. SPEAKER *in the Chair*]

[*Translation*]

SHRI RAM VILAS PASWAN (Rosera): Mr. Speaker, Sir, I would like to make a submission regarding 'Neelgai' [Interruptions] special session of the Parliament has been convened [Interruptions]

[*English*]

MR. SPEAKER: I have already heard you on telephone.

[*Translation*]

SHRI RAM VILAS PASWAN: So, what have you decided? [Interruptions]

[*English*]

MR. SPEAKER: Now, Secretary-General.

11.02 hrs.

ASSENT TO BILLS

[*English*]

SECRETARY-GENERAL: Sir, I lay on the Table the following three Bills

passed by the Houses of Parliament during the current Session and assented to since a report was last made to the House on the 23rd December, 1993 :—

(1) The Advocates (amendment) Bill, 1993.

(2) The President's Emoluments and Pension (Amendment) Bill, 1993.

(3) The Supreme Court Judges (Conditions of Service) Amendment Bill, 1993.

11.02 1/2 hrs.

JOINT PARLIAMENTARY COMMITTEE TO SUGGEST FACILITIES AND REMUNERATION FOR MEMBERS OF PARLIAMENT

Minutes

[*English*]

SHRI A.R. ANTULAY (Kulaba): I beg to lay the Minutes (Hindi and English Versions) of the Sittings so far of the Sub-committee and of the Joint Parliamentary Committee to suggest Facilities and Remuneration for Members of Parliament.

11.03 hrs.

DISCUSSION UNDER RULE 193

Report of the Joint Committee to Enquire into Irregularities in Securities and Banking Transactions – Contd.

[*English*]

MR. SPEAKER: Shri Ram Kapse.

SHRI RAM KAPSE (Thane):
Hon'ble Speaker, Sir, we are considering the Report of the Joint Committee to enquire into irregularities in securities and banking transactions.

What was the effect of scam? Small investors lost their hard earned money. There is a reference in the Report that millions of depositors and investors lost their money for no fault of them because of the fraudulent behaviour of the banks, the PSUs and the brokers. Public fund was misutilised through the banks and the PSUs. All the weaknesses of the banking system were exposed.

People lost confidence in banking system. PSU funds were not for the purpose for which they were formed and we are now facing the problem as far as the Railway Bonds are concerned. So, there are so many defects.

Yesterday, when I was listening to the speeches, speakers one after the other from the Congress side were not concerned at all about the behaviour of the brokers, about the millions of people who lost their money and they were all the time banking on the goodwill for Manmohan Singh. At the same time, a non-issue was brought in and it was about the policy of liberalisation. We were neither discussing the policy of liberalisation nor about the character of Manmohan Singh or his contribution to the Finance Department. Actually, why this refuge was taken? It is a purposeful behaviour on the part of the Congress speakers. The side-tracking of the issue is purposeful. Once they stalled his resignation, the blame on Congress Government is shifted. As such if there is anybody to be blamed, it is the total Congress Ministry which is to be blamed for the behaviour as far as PSUs are

concerned and as far as banks are concerned.

I would like to ask Shri Manmohan Singh that during his regime, millions of depositors and investors lost their money. Why? There is a paragraph 2.7 where the Committee observes and I quote:

"The scam is 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 PSUs to select brokers for speculative returns."

Every word is important. It is a deliberate and criminal misuse of public funds. Who is responsible for that? Is it not the Ministry of Finance responsible for that? It is a deliberate and criminal misuse of public funds. The security transactions took place with the aim of illegally siphoning off funds of banks and PSUs and that too to the select brokers for selective returns for which the banks are not formed and for which the PSUs are not formed.

I will read out a sentence from the speech of Shrimati Indira Gandhi, the then Prime Minister of India. This was delivered in the Lok Sabha on 29th July, 1968. I quote:

"The nationalisation of 14 banks is totally justified strictly in economic terms as well as in terms of the broad objectives which we have pursued and shall continue to pursue as to ensure that the hopes and aspirations of millions of our people are not sacrificed."

What was sacrificed? The aspirations of these people were sacrificed. We are not discussing here Manmohan

Singh. We are not discussing liberalisation. We want to discuss the aspirations of those people which were lost and if the blame is on this Government, this Government should resign. They should go.

Nobody challenged this statement in para 2.7. Every speaker read it out and used it for his own purpose. Again there is an important sentence in para 2.8 also. I quote:

"The Committee seldom came across an instance where responsibility for wrong was forthrightly accepted."

This was true about R.B.I. officers. This was true about P.S.U. officers. This was true about every bank and this is true about this Government. If anybody is to be held responsible, the Prime Minister himself should resign. The Ministry should resign. In a way he is responsible for public undertakings also which I will definitely be dealing with.

So, nobody is challenging this statement. Then, our question is : Was it avoidable?

[*Translation*]

SHRI RAM VILAS PASWAN (Rosera): Things have been put on the right track.

[*English*]

SHRI RAM KAPSE: Thank you, very much. Now, you also follow this track.

Was it avoidable? Yes, it was avoidable. The Ministry of Finance and the Ministry of Public Enterprises could have avoided it. There are two Depart-

ments in the Ministry of Finance – one is Department of Banking and the other is Department of Stock Exchange. What were they doing? Are these Departments formed for the purpose of siphoning off the money, and helping the brokers? When these Departments were there, they could have done something. The Department of Banking and the Department of Stock Exchange had the information. Yesterday, Shri Chidambaram was telling all the while that for the last ten years it was going on. Let it be from 1980, let it be from 1986, let it be from 1987 or let it be from 1990 – but it was going on. You had the information. If the Departments had the information, you should have been careful about the millions of people who were investing who had put in their deposits. So, you should have been careful about those people as advised by Shrimati Indira Gandhi, which I have read out just now.

I would ask you some questions. Did or did not the Ministry receive the reports of the National Housing Bank? All the reports were with you. And you knew what was going on in the National Housing Bank? Did you not know that the Governing Body of the National Housing Bank is not yet formed? There was information with your Departments that the highest income-tax papers were scamsters; their photographs were printed in the press. Now when you speak about Harshad Mehta or others, why you never thought that wherefrom these scamsters – who are the highest paymasters – brought the money?

At least after the issue of July, 1991 circular, if a token inspection of one bank was taken up, it would have given the signal that violation will not be tolerated. But even that was not done. Why were the transactions in Government securities increasing? Did you enquire about it?

[Shri Ram Kapse]

When did you enquire about it? Was it not the responsibility of the Government to enquire why this was happening during the period of June, 1991 to April, 1992?

There is a small bank in Bombay — Metropolitan Bank. This is a cooperative bank. Five hundred crores of rupees were lost by that bank as far as the security transactions are concerned. They were not authorised to deal in securities. But they issued the B.Rs.

It reached the Bank of Karad. They again issued a BR against the BR. Both the acts are illegal. It reached the Bank of Karad. They paid the cheque and it was immediately transferred on the next day to Andhra Bank. The deposits of Bank of Karad amount to about Rs. 60-70 crores and on one Saturday, which was a clearance day, as far as clearance is concerned there was a transaction to the tune of Rs. 400 crore. What was the Reserve Bank doing? The Reserve Bank of India knew that the Metropolitan Bank is looting the people. They knew that the Bank of Karad is looting the people. Even the brokers were the Directors in the Bank of Karad, but every year the bank of Karad was protected because of political patronage. Ultimately, who had to pay the cost? The *Mathadi* workers had to pay the cost. In a Metropolitan Bank you may pay Rs. 30,000 to depositors.

There is a possibility that because of the High Court judgement the Bank of Karad may be amalgamated with the Bank of India. There is every possibility that you may go even against that in the Supreme Court. I am not sure that you will accept the ruling of the High Court as far as the Bank of Karad is concerned. All the depositors, all the employees are worried but you are not concerned with millions.

You are concerned only with one person who should stay; otherwise there will be a difficulty. It is the constructive responsibility, a moral responsibility.

All these Congressmen, who have nothing to do with moral responsibility, are advising you not to go. If you are convicted, they will not come to your rescue, but even if you are convinced they will tell you all the while not to go. They have been doing it for years together, right from the days of Pandit Jawaharlal Nehru till today. They will always say, "Be there". Whosoever they need, they will say, "Be with us" and when your work is over they will throw you out. So, if you are convinced, you act according to your conviction and not according to the convictions of Congressmen because they have a different culture altogether.

I would again ask you one question.

AN HON. MEMBER: Let me know what is your culture.

SHRI RAM KAPSE: I did not want to elaborate the Congress culture but now if you want, I will tell you about it. Here are these Congressmen who were also Members of the Joint Parliamentary Committee. With their own Party Chairman they signed a unanimous Report. Members from this side have been telling all the while to accept the Report as it is, while all the Congressmen are saying, "Do not go". A new convention has to be laid down.

All the conventions, all the parliamentary behaviour, all the democratic traditions of our Lok Sabha are not to be adhered to. Jawaharlal Nehru, Moulana Azad, Lal Bahadur Shastri — they all had committed mistakes and you are the persons who will lay down the new conventions with the help of Dr. Manmohan

Singh about whose character nobody is speaking about. It is a constructive responsibility for which you must go. I would ask you a question about the Government Nominee Directors.

MR. SPEAKER: Mr. Kapse, the time is limited; you shall have to compress your points.

SHRI RAM KAPSE: At least sometimes your Government Nominee Directors attended the meetings. They must have submitted their reports to the Department. Why were they not pursued? That is the question. It is not only a system failure; it is a system failure as well as individual failure. You decided the policies, but you were not careful about the mischief which could be played by the brokers. And you appointed the individuals. The brokers had easy access to nationalised banks and they had easy access to their subsidiaries. Only Canara Bank lost Rs. One crore, but small banks like the Metropolitan Cooperative Bank and the Bank of Karad lost everything. The criminals knew all the weaknesses in the foreign banks and the public sector undertakings and they looted the money. The Ministry of Finance and the Reserve Bank of India also had the knowledge, but they did not act. If acted, they acted late. Even if they acted, nobody obeyed. Then, how can we put our house to order? That is the question. If the same Finance Minister heads the Ministry, then how is it possible that the whole team which did the mischief can be corrected?

As far as the Reserve Bank of India is concerned, every week they had a Board meeting. Why did they not discuss this problem of scam in any of their meetings? I would ask you at least to enquire whether the July, 1991 circular which is mentioned again and again reached the Regional Offices of the Re-

serve Bank of India. It never reached them. Then, the Report of Mr. Kurias of 1987 about the foreign banks was ignored. Your Reserve Bank Governor said that we had to accommodate them. This accommodation ultimately created the problems for millions.

Regarding promoters' shares, after all these two years even today we do not know who are the officers who are having promoters' shares. It is my information that at least hundreds of officers in the Reserve Bank of India have promoters' shares of the industrial houses. Are you willing to go deep into the whole affair? All the politicians and all the bureaucrats who are having promoters' shares should be brought to book. Whatever information you get about the politicians and the bureaucrats of having promoters' shares that should be laid on the Table of the House. That is my demand. Then, about the subsidiaries, the Chairmen of the banks, again were the Chairmen of the subsidiaries. They say that they had to follow the rules as far as the nationalised banks were concerned. But, about the Mutual Funds they neglected the rules.

Now, let us come to the public sector undertakings. Yesterday, there was a mention about Rs. 36,000 crore. The funds of the public sector undertakings have been diverted to the brokers and used for purchase of shares of private sector companies in violation of Government guidelines. As far as the public sector undertakings are concerned, nobody from the Congress party spoke about any Ministry.

Is it not, all of them should go? At least, all the Ministers who headed the PSUs and acted in violation of the Government guidelines should go. In January, 1992, the Ministry of Finance and the De-

[Shri Ram Kapse]

partment of Public Enterprises allowed them to enter into such transactions with the foreign banks. But they had entered into such transactions prior to January, 1992 also. So, is it the responsibility of the Ministry of Finance because they had allowed the PSUs to enter into such transactions with the foreign banks? But were the administrative Ministers including the Ministry of Petroleum headed by Shri Shankaranand not responsible because they transgressed all limits? In 1990 itself, they reviewed the whole position. After 1991, in almost every three months, they tried to review and all the PSU funds were diverted to private institutions. The Department of Public Enterprises and the administrative Ministers failed in their duty. The worst part of it is that they used the money for the purpose for which these were not given. Whatever money they got from security was used for the speculative purpose for which it was not meant. The money which was to be used for power was used for speculative purposes.

About the income-tax concessions, whatever income-tax concessions, these PSUs have got, were those for speculative business, for the use of brokers, for the use of foreign banks?

Last question is, those PSUs have got the budgetary support also. All these PSUs were helped by the Lok Sabha. We gave them budgetary support and they squandered the money in speculative business.

Let us come to page 39 of the JPC Report:

"FFSL with an incorporation of Rs. 700/- earned a profit of Rs. 47 crores within two years of its operation."

"The Committee wish to underline that FFSL seems 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."

The banks, the PSU people, all your concerned Ministers, Reserve bank of India are connected with this are in collusion. Still you want to be in Government with the help of one man and his character. We do not want to oblige you in this matter.

I suggest some reforms which are a must. There should be a reform of PSU funds management. About RBI, it is used as a regulatory bank. It is a bank of the banks. The reforms are necessary to make it function effectively.

About CBI role, which is under the Prime Minister, the way, they did not help the Committee is very unfortunate. The Estimates Committee has already recommended that the role of CBI should be reformed. Then, lastly there should be reforms in the method of investments. There should be norms for investing public funds.

About Harshad Mehta and the CBI, you are seized of the matter. The notice for privilege motion has been given.

MR. SPEAKER: I have not given the consent. You cannot raise it on the floor of the House. There is a procedure to be followed in this respect. You will not mention it on the floor of the House.

SHRI RAM KAPSE: Therefore, I would suggest that these Committees

themselves should be allowed to deal with such matters.

That is my last suggestion.

SHRI INDRAJIT GUPTA (Midnapore): Mr. Speaker, Sir, we have already listened to several eminent speakers speaking on the subject for several hours and the House has benefited by the exhaustive references including quotations from the Report of the JPC which have been brought out here.

I do not attempt to do any further para phrasing of this Report. It is not necessary in my opinion. The report is available. Anybody who is really interested can bother to read it. I do not know how many people have read it. But any way, I am not casting a reflection on anybody.

Yesterday, we heard some new ideas from some of the bright young opening batsmen and middle order batsmen who batted in the innings from the Government side. One idea which was put out was—of course, which has been referred to here—that accountability, moral accountability has no meaning unless it is synonymous with moral turpitude. I cannot agree to such a thing. The trouble is, we are working in a particular form of government, parliamentary form of government in which Parliament is supreme. Parliament is elected by adult franchise and the Government or the Cabinet is collectively responsible to Parliament and to the people. If somebody does not like this system now because it is becoming a bit of obstacle for doing certain things, then it can be changed. There was a talk here saying that economic reform is not possible without political reforms. So, I would advise such friends to come out openly and to say that this parliamentary form of government would not do now.

They want something else; they want presidential form or some other form or I do not know what. They hesitate to say that openly because they are not sure what kind of reception it will get in the country. All I am trying to say is, so long as this present form which we have followed for the last 45 years or 50 years, prevails, there is no escape from this question of accountability to Parliament and to the people—whether we like it or not, whether it has some unpleasant fall-outs or not. We have to go by it.

I do not know what the Prime Minister proposed to do regarding the Finance Minister. When a Minister, certainly such a senior Minister, is reported to have submitted a letter of resignation to the Prime Minister—because we have not been told anything except what we read in the Press—I think, such intentions to resign are normally not kept secret. Parliament, at least, is entitled to know that such and such Minister wants to resign on the following grounds. Any way, in the present case, we have not been told anything. It is up to the Prime Minister now to decide what he is going to do. It is not our job.

I want to say one thing. The Finance Minister, by the action he has taken in proffering his resignation and holding himself at least morally responsible for what has happened has, in my opinion, achieved a certain moral stature.

The point is whether you want to pull him down from that or not. It is for you to decide, for the Prime Minister to decide. I was personally very happy that it is a vindication of our parliamentary form of democracy. It is something which is in conformity with many precedents which have been set here over the years that a Minister—he may not be directly

[Shri Indrajit Gupta]

responsible, he may not directly have any kind of financial interest or involvement in a particular deal, but he feels himself to be morally responsible because he presides over this big empire which is known as the Finance Ministry and of the various institutions and of the various top executives who function under it, feels that he is morally responsible and, therefore, he has resigned. I think that that gives him a certain moral stature for which I respect him. But all this campaign which is going on now inside the House and outside the House that he must not be allowed to resign means you want to pull him down from this moral stature which he has achieved. Why should you do that? I do not think that that is something which will bring credit to our system at all and I am not at all convinced that this pressure is being generated by panwallas and beediwallas and rikshawallas. I am sorry (*Interruptions*). It is being generated by other people also who are openly speaking in the Press. They are captains of industry. They are not rikshawallas (*Interruptions*). They are well-known captains of industry, foreign as well as Indian. That pressure is felt much more by Mr. Chidambaram and others than the opinion of some panwallas and rikshawallas about whom they never bother at all normally.

I do not want to go further into this particular point because it is for the Prime Minister to decide now. But I would humbly ask that when a man has done something which has earned him the plaudits of the whole nation for his moral courage, why do you want to destroy that? Why do you want to pull him down from that? Well, it depends how the Prime Minister looks at these things and sooner or later, he will have to tell the country what he proposes to do about this.

The hon. Finance Minister, for whose intelligence and acumen and experience I have the greatest regard—I may not agree with all his policies but that is different matter—either knew or he had adequate information about what was going on and all these things which have been revealed now in the JPC's report, either he knew or he did not know. If he knew and still was not in a position for other reasons to take any decisive interventionist action in spite of knowing that many of these things were going on then, of course, it would not show him in a very good light.

I prefer to think that he has become a prisoner of a certain mindset. There is a certain mindset which has developed over these 2 1/2 years and that mindset, one can say, believes blindly in the infallibility of this open market system without adequate safeguards and without any measures of regulations to check it and all that.

It believes in the infallibility of this system which in the other language is described as liberalisation without any limits. This is one mindset. There is the other mindset. Of course, I do not blame him because he was under heavy compulsion of this balance of payments crisis and heavy compulsions of the need to bring foreign exchange for which the foreign banks play a very decisive role and he has achieved something, nodoubt. But it has also, in my humble opinion, led to a mindset where you have become complacent about things which will happen as a result of this kind of a liberalisation. I do not know why the opening speaker on that side attacked my friends here on the BJP. Of course he attacked my friends here on the BJP—quite rightly in my opinion about what they did in Ayodhya. That is a different matter. That vandalism which was carried out in Ayodhya is

something which has disturbed us and the nation very much. But otherwise I do not know why he has attacked them because as far as this liberalisation is concerned, they are fully in support of your policies. (*Interruptions*). They have said it on so many occasions. Why are you quarrelling with them over that? A very leading Member of their party has been reported—and it has not been contradicted to my knowledge—to have assured, in a recent meeting in Delhi, of the Indo-U.S. Business Council that they have got a kind of a belief in this policy of liberalisation long before the Congress Party decided to adopt that course and they have committed to it. So, I do not know whom are you actually fighting with. Are you fighting with us? You may be fighting with us saying that we want to take the country back to some kind of a closed system and authoritarian system where everything is controlled centrally—that old Central Command System has come to grief—we know—in some countries. We are not wanting to do that. Anyway, even if you want us to do it, we are not in a position to do it because you are ruling; we are not ruling. So, if I may have the effrontery to advise the Finance Minister, this mindset should be given up. This mindset should be given up or it must be modified at least. Otherwise, what happens when something is happening and the Finance Minister has become complacent because of this mindset and he does not think it is something so serious that note should be taken of it immediately and makes those kinds of statements about his not losing sleep even though there is a very abnormal boom taking place in the stock market? How abnormal was it? It is all put here in black and white in the Report. But it was considered to be nothing abnormal—it is normal—till it became too late.

Sir, about this question of systemic failure, of course, there is a systemic fail-

ure also. I do not deny it. In this Report of the Committee, several pages have been devoted to this. At the end of the Report, you know, Sir, there are so many pages devoted to the recommendations of how to try to remedy some of the basic failures of the system itself. Those recommendations are there from pages 263 to 300 and odd. I do not want to quote them. But we would like to know from the Government what they propose to do about those recommendations.

Are they serious about them? Are they going to have them examined urgently with a view to implement it? If so, how and when? What is going to be the agency, the machinery and who is going to do it?

It is not something mysterious that nobody knew what was wrong. It is all revealed very clearly in the Report itself. But, at the same time, Sir, for the future, of course, in the interests of the country, it is essential that these recommendations and any other suggestions which may be made and which may reach the Government have to be taken up immediately for implementation. But, we have had no such assurance from the Government side yet. And I would like to know who is in a position or who has the authority to say it.

But, then, what about the past? This is for the future. For the past, can we get away by saying that it was purely a systemic failure? The pages of this Report are replete with instances of how consistently there has been a wilful violation of directives which were there. There was nothing wrong with those directives, if they had been carried out; there were umpteen circulars which were issued. And the very people, who issued those circulars, violated those circulars. Is this a systemic failure or is it a deliberate thing

[Shri Indrajit Gupta]

done by certain people who also thought in this prevailing mindset and atmosphere of ultra liberalisation that it is a good advantage to make an opportunity, to make a fast buck, whether it was public sector undertakings or bank executives or some RBI people or some people belonging to other financial institutions or brokers or bureaucrats, who felt that this is a good opportunity to make a fast buck? And they have deliberately violated the clear-cut instructions and directives which are there on record; that is part of the system. Please tell us what is wrong with those things? Or was it that they were deliberately sabotaged by certain people, who were interested in making money and by colluding among themselves to defraud the nation?

People put money in banks because they think that their money will be in safe custody. In this country, there has been huge growth in banking activities. Since nationalisation, the number of depositors, the amount of deposits and all that has gone up phenomenally, which is a very good thing. Even those rickshawallas and panwallas who have been mentioned here, why did they put their money in banks? It is because they thought that after all it will be in safe custody. If something like this then happens and suddenly they find that thousands of crores of rupees have been siphoned off out of the bank by various methods—I do not want to go into all this—in order to feed certain unscrupulous brokers and other people who use that money for speculative purposes on the Stock Exchange, then what credibility will be left in our banking system? I think, there is this moral accountability of the Ministry of Finance, above all else, for having done something which destroyed the credibility of the banking system. This cannot be

permitted. It is a crime committed against millions of people who are depositors in those banks.

So, sir, all these things, about investment policies of the public sector undertakings and all that, the guidelines, the principles, the directives laid down, have all been systematically violated. The public sector units have been prohibited from investing in private companies. They were not to have any direct dealings with private sector companies or with foreign banks. But they have been doing it systematically. It is all given here in this Report. What I want to say is that, if these findings of the JPC are ignored or if they are rejected, the Government will be as guilty and will come to as much grief as my friends here came to by doing things which were in violation of the Supreme Court.

They have come to grief because of affidavits given in front of courts of this country and then deliberately violating those affidavits. If you also reject or ignore these findings of the JPC, unanimous findings by a committee composed of representatives of all the political parties of this country, then, the Government will have to think ten times as to what is likely to be the fate of such a Government. I do not know what the Prime Minister thinks about all these things written in the report because he has not said anything.

11.51 hrs.

[MR. DEPUTY SPEAKER *in the Chair*]

I do not know if he is going to tell us anything. What is his reaction to what he has said here, for example, the role of the foreign banks? There must be some reaction. I am not demanding here and now that the licences of foreign banks operat-

ing in this country must be cancelled just now though the Government has the power to do that. The representatives of foreign banks have been lobbying. Mr. Vajpayee told us how he was approached by some big *sahebs* of the foreign banks.

SHRI SOMNATH CHATTERJEE (Bolpur): And giving diary.

SHRI INDRAJIT GUPTA: Diary is nothing. What is a diary?

SHRI SOMNATH CHATTERJEE: What do you expect? (*Interruptions*)

SHRI INDRAJIT GUPTA: Video.

SHRI SOMNATH CHATTERJEE: Video! I stand corrected—video-tape.

SHRI CHANDRA JEET YADAV (Azamgarh): Not cassette; video.

SHRI INDRAJIT GUPTA: Then, for example, the non-official directors, who are nominated on the Directors' Board of the Reserve Bank of India, are not supposed to hold office for more than four or five years. You will find from the existing panel, which is there, how many of them have already exceeded eight or nine years. They include people against whom there are cases pending under FERA. They include people who themselves or their companies are big defaulters in repayment of loans to the banks and they are supposed to sit on the Directors' Board of the RBI and to manage and govern all its financial functioning. It is a fantastic thing. You can see those names. They are there in the report who they are. Why were they allowed to go on and on? What great benefit is the country getting from their presence there on the Directors' Board, I would like to know.

What I want to say is that there are

other aspects like supervisory duties of the Reserve Bank or the failure to have proper inspection by RBI teams, inspection in time or what is going on in the banks in spite of complaints coming. The malfunctioning of the CBI itself has become a very serious matter. In fact, this Committee has not said as much about that side as perhaps it should have. It is more serious because the CBI is a department which is directly under the Prime Minister. The CBI has certainly failed. People are losing faith in the CBI which was supposed to be our premier investigative agency and which was never questioned by anybody. But now there is something rotten.

Then, somebody spoke here and said that the root cause is that there is a lack of professionalism. In our system, there must be more professionalism. I agree. But who will you begin with? Have the Ministers in our system, who are in charge of the steel industry, who are in charge of the coal industry, who are in charge of the petroleum industry, got any professional knowledge or experience or expertise about those areas which they are supposed to preside over? We do not have that system. There are countries in which people who themselves have worked in steel plants, who have been engineers in steel plants and come up through promotion and have become steel Ministers in their countries. Similarly, it is with coal or petroleum or something else. That is not the system we follow.

Here everybody is jack of all trades. Today, he is looking after steel. Tomorrow, he is looking after railways. The third day, he is looking after agriculture. He is supposed to know everything about everything. Then naturally, havoc is created by those permanent bureaucrats who are there functioning under him. If he is really alive and alert and vigilant and knowl-

[Shri Indrajit Gupta]

manageable, he may keep a proper eye on those people. Otherwise, he will be taken for a ride. And very often, they are taken for a ride. This is a system. Can something be done to modify this system in such a way that the Ministers may have more close contact and knowledge about the subjects that they are supposed to deal? Anyway, in this debate, we are not in a position to make detailed suggestions and proposals.

I would say that I congratulate the Committee. Of course, I must say that I do not mind saying it also. I have said it earlier also. I do not know what my colleagues feel. As a Member of an opposition party here in Parliament, I do feel that we—the opposition parties, including my party made a serious mistake in boycotting the JPC on the Bofors deal. We kept out from it. It was a mistake. What this Committee has been able to do lends credibility to what I am saying. A Joint Committee with all sections of the Parliament represented in it can do quite a lot of good work. But because we, at that time, had some idea that this is a trap into which we are being drawn, we should keep out from it. We did not go into that Committee. Therefore, nothing has come out of it. That was also presided over by Mr. Shankaranand. (*Interruptions*)

SHRI SOMNATH CHATTERJEE:

He was not allowed.

SHRI INDRAJIT GUPTA: I do not know. I do not wish to take up more time. Whether the Prime Minister should also resign or not, you see, I cannot say just now till I hear something at least to drop from his lips. He is like that silent Buddha who does not give us any inkling into his thought processes. Until we know how he

is going to react to what will be his response, what action he is going to take or not take, I cannot immediately say that he should resign and quit. But I would request him please to think over it seriously and not to pander to this theory that one individual is indispensable, and if he is not there, the whole country and the whole nation will be ruined. I do not hold to this theory.

Mr. Manmohan Singh has laid down certain policy, guidelines or directives over the last two or three years. Whether we agree with it does not matter. The Government is committed to that policy. If it so happens that some other gentleman becomes the Finance Minister, he is not expected to depart from that policy. He has to follow it up also. But after a long time, a senior Minister of the Government has had the courage to own up his moral accountability and to resign. About others, nobody has yet done anything except sticking to their offices although they are indicted in the report.

Now hon. Members of the ruling party and right up to the Prime Minister should think whether it would be fair—he has taken a considered decision, I believe—to pull him down from that moral stature. I am sure that he is just like anybody else. He gave a letter but now he has withdrawn. What good is that going to do to us?

SHRI SAIFUDDIN CHOUDHURY

(Katwa): The Minister will say he has not given the letter.

SHRI INDRAJIT GUPTA: Well, I have already said that at least the Parliament should have been taken into confidence. True, we do not know what is in his letter, whether he had offered to resign.

12.00 hrs.

There may be subtle difference between offer to resign and actually resigning which I do not know. In any case, the ball is in the court of the Prime Minister now as to what he has to say and what he is going to do. If the Finance Minister takes this House into confidence about the step that he took, I, for one, will be very happy and grateful to him. He will do that. (*Interruptions*)

[*Translation*]

SHRI NITISH KUMAR (Barh): Please stand up and state whether resignation has been tendered or not?

[*English*]

SHRI INDRAJIT GUPTA: Let him say anything while sitting or standing. If neither he nor the hon. Prime Minister tells anything then why are we groping in the dark and making lengthy speeches? (*Interruptions*).

I think he has surely shown enough courage to tell the whole country that he will resign and he can face this House also. But after that, it is up to the rest of you to say, "No, we won't let you resign." We don't believe in all this Lal Bahadur Shastri business and others like Shri V.V. Giri, Shri Shanmugam Shetty, Shri T.T. Krishnamachari and Shri Keshav Dev Malaviya. They are all fools that they did all these things unnecessarily. They were not guilty of moral turpitude. There was some accusation against Shri K.D. Malaviya. He had something to do with some contractor or something like that which I have forgotten now. In any case, why is this indirect kind of slur being put against them that they did something which has set a wrong precedent. Yester-

day somebody said that wrong precedents are going to be set. I do not think so. I am proud of this precedent and we want to show to the whole world that our system of parliamentary democracy is strong enough to spare people who have the courage to own up their own accountability. It happens in every country where there is a parliamentary system of government. You know dozens of examples like Europe, Japan and other parts of the world. Once something comes out which shows that the Ministry or the Department which the Minister has been given charge of is malfunctioning and doing something against the interest of the country, he does not hesitate to resign. It is taken part of the full system. This is also part of the system. If you want to change the system, please change it. Somebody can say that we do want accountable Ministers, collective responsibility and all these things and let us have some different kind of a system. From time to time, over the years, ideas came from very high quarters also about Presidential form of Government, with Parliament not being supreme but President will be supreme and he can even override some of the powers of the Parliament. If you want that kind of a system, please speak out openly. Let the country know it but so long as we remain in this system, you cannot avoid the principle of accountability.

I do not wish to take more time; I am not going into the report and in my opinion, it is not necessary. Enlightened and educated Members of Parliament have to take a little trouble to sit down and read the report. There is no use of quoting from it endlessly. What is the point in it? That gives an opportunity to my friend there to say, "Oh! you are picking out things from here and there, a little bit here and a little bit there and trying to build up

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your case." I am not doing anything like that. I have great respect for the JPC and I also think that there are some areas in which they could have found out some more things but for whatever reasons, they wanted to have a unanimous report; they have wilfully compromised on some issues because if they had gone into those issues, there could not be unanimity. But, by and large, I think it is a good report and it has done a great service to the nation, it should be taken like that and the follow-up action must be consistent with the dignity of the report of that Committee and its findings. There should be no attempt to water down and dilute these things because if they try to do that, this Government will not be forgiven by the people of this country. (Interruptions)

SHRI A. CHARLES (Trivandrum): Mr. Deputy-Speaker Sir, can I just say one sentence about the observation made by hon. Member Shri Ram Naik?

MR. DEPUTY-SPEAKER: When you get a chance to speak, you can raise that point too.

SHRI A. CHARLES: I will not take more than a minute. I have been hearing the speech of Shri Ram Naik. In his speech, he has referred to the *rickshaw-wallas* in a very sarcastic way. He is a very senior Member of this House and I am sure he understands the plight of the rickshawallas. I wonder whether he has lost touch with this land or forgotten his links with the poor of this country. Let anybody to the *jhuggis* in Delhi and ask the common men about their reaction. They will say that the credibility of Dr. Manmohan Singh is the only hope. (Interruptions)

SHRI RAM NAIK (Bombay North):

Mr. Deputy-Speaker Sir, my only request is to do away with this controversy. Whatever telegrams have been received from all over the country and all over the world from *paan-wallas* and *rickshaw-wallas*, let them be placed on the Table of the House. Then, we will know how many of such telegrams have been received.

MR. DEPUTY-SPEAKER: Mr. Pranab Mukherjee please.

THE MINISTER OF COMMERCE (SHRI PRANAB MUKHERJEE): Mr. Deputy-Speaker Sir, the debate on the Report of the JPC which is going on since yesterday, is a unique one. The JPC submitted its Report on the 21st of this month after a good deal of deliberations and after putting in hard work for almost over 18 months. And we initiated discussion on the Report of the JPC within a week of its submission to Parliament. This, perhaps, is a departure from the normal practice. The normal procedure followed is when a Parliamentary Committee gives its report, Government considers it along with the report that comes out on 'Action Taken' or 'Action not Taken'. These two—the Report of the Committee and the Action Taken Report—are taken together and debated and discussed. But this time it is suggested that as the Report is important enough, before the Government comes to any conclusion, the Members may also be given an opportunity to give their views and express their opinions so that their views can also be taken into account by the Government while formulating action to be taken on the Report itself. And the Government readily agreed to the suggestion. That is why I am suggesting that this debate is a unique one. We shall have to take it in that perspective.

Now, it is not merely a question of fixing or owning responsibility. I reiterate that the whole thing should not be veered round to only one aspect, viz. holding responsibility or owning responsibility. If we look at the terms of reference of the Committee itself, we will find that the terms are quite wide enough. When it was suggested that the JPC should come out with their observations on all the relevant aspects, it is quite natural that the Government will take time to formulate its views. Now, in between, we are sharing our reactions and opinions.

Before coming to the question pertaining to parliamentary accountability or accountability of a Minister in a parliamentary system, I would like to clarify one very simple point which the hon. Member Shri Indrajit Gupta has raised. This is about the commitment of the Congress Party to the parliamentary system of government.

SHRI INDRAJIT GUPTA (Midnapore): I never said that. I do not know whether they are committed or not.

SHRI PRANAB MUKHERJEE: Yes, they are committed. I may tell you that to be an ordinary Member of the Congress Party, one has to sign a form and in that form one of the pledges is that he believes in the Parliamentary system of democracy. So, this is essential even for becoming a primary member of the Congress. Therefore, commitment to the Parliamentary system of democracy is inherent in the Congress culture.

[Translation]

SHRI NITISH KUMAR (Barh): There is also a pledge to wear 'Khadi'. However, nowadays no Congress worker wears 'Khadi'. Therefore, what is the utility of such pledges?

[English]

SHRI PRANAB MUKHERJEE: It is the Congress which has established the Parliamentary democracy in this country and we are still following it up. It is also true in the JPC which has given a unanimous report and which all of us are commending. You do not forget that half of the contribution in JPC has come from our side, including that of the Chairman. To my mind, one of the beauties of the Parliamentary system is that in the Parliamentary Committee we do not work on the partisan lines. On this issue, Mr. Deputy Speaker, Sir, I would like to take your time.

I am not a lawyer to tell you about the accountability or the Constitutional responsibility. That should be decided by the appropriate court, but we shall have to see the conventions which we are following. Since yesterday, references have been made about certain Ministers resigning in the past on the ground of moral or Constitutional responsibility. Fortunately, all of them were the Congress Ministers. Till now, no instance has come to be known of a Minister in the non-Congress Government resigning on some such moral responsibility. I assume, it is because most of the time we were in Government.

There is a difference in the resignation of Shri T.T. Krishnamachari or Shri K.D. Malviya. They resigned because of the conclusions which emerged out of the Commission of Inquiry Act. The judicial Commission of Inquiry was set up in these two cases. We had the Chagla Commission and Vivian Bose Commission.

AN HON. MEMBER: What about Lal Bahadur Shastri?

SHRI PRANAB MUKHERJEE: You need not go that far. You have the example of Shri Madhav Rao Scindia resigning the other day. I am talking about the instances which have been given now. As far as these two are concerned, they resigned not because of the observations of a Parliamentary Committee, but mainly because of the observations of a Commission of Inquiry which was set up for this very specific purpose.

SHRI SOMNATH CHATTERJEE: Sir, may I have a clarification. While speaking on behalf of the Government, I believe, the hon. Minister has raised a very important issue. He is now making a distinction between a judicial inquiry and a parliamentary inquiry. The Prime Minister himself recommended a Parliamentary inquiry into the allegations on scam and he said that on the result of that inquiry he shall take action. How do you make a distinction?

SHRI PRANAB MUKHERJEE: I am coming to that. What I am trying to point out is that an impression seems to have gone that these two things are comparable. Let us examine this issue first as to whether you will establish a new convention that some observations of a Parliamentary Committee would compel a Minister to take the responsibility. This accountability is the inherent right of the House itself and the Council of Ministers is collectively responsible to the House. Now, should we delegate this power to a Committee?

SHRI GEORGE FERNANDES (Muzaffarpur): Since you are dealing with this particular point, what about the inquiry into the Mudgal affairs? Was that a Commission of Inquiry or a Parliamentary inquiry?

SHRI PRANAB MUKHERJEE: It was a Parliamentary inquiry.

SHRI GEORGE FERNANDES: It was an inquiry by this House and Pandit Nehru accepted that report without any modification and Mudgal went.

SHRI PRANAB MUKHERJEE: You are making a mistake. So far as the acceptance of Report is concerned, I have the position quite clear. The Government will consider the Report in its entirety, ascertaining the views of all, and that is why we are having this debate. (*Interruptions*)

This is done for ascertaining the views of all of you. You have raised certain issues viz. that the moment an unanimous Report is presented (*Interruptions*) Let me explain the implications of what we are going to do. We are free to do but for that (*Interruptions*).

SHRI NITISH KUMAR: Now, you are changing. At that time you said that you are accepting the Report. (*Interruptions*)

SHRI PRANAB MUKHERJEE: No. I am not changing. I have not changed my position. What I have said was the repetition of what Mr. V.C. Shukla had pointed out viz. why are we having discussions without the Government's views on it? It is because, we wanted to know your views so that we can take into account your views while formulating our action, our conclusions on the Report itself. If it was totally accepted, then what was the need of this debate?

SHRI CHANDRA SHEKHAR (Ballia): Mr. Deputy-Speaker, Sir, I am sorry to intervene, Mr. Pranab Mukherjee, a senior Minister in the Government, he is propounding a theory which is just arrogating all the powers of the Parliament. It is because the Report under the Commission of Inquiry Act can be re-

jected or can be accepted by the Parliament. In certain respects, an unanimous Report of a Parliamentary Committee cannot be rejected by anybody. A verdict under the Commission of Inquiry Act is not a judicial verdict. That can be rejected by the Parliament. Mr. Mukherjee, what are you talking? So, an unanimous Report of the Parliamentary Committee is much more effective, much more superior to any Report under Commission of Inquiry Act. You should not propound a theory in order to justify something which is basically wrong.

SHRI PRANAB MUKHERJEE: I am not propounding any theory, Sir. I am sorry to say. (*Interruptions*)

SHRI CHANDRA SHEKHAR: Mr. Deputy-Speaker, Sir, people should not try to give new theories to political science and to Parliamentary history. If they do not know about Parliamentary history, they should keep quiet. Political science and Parliamentary systems had been established 200 years ago and more superior persons had given a verdict on this issue. Mr. Indrajit Gupta was quoting something which had been established all over the world in Parliamentary system. Mr. Pranab Mukherjee, you have many brilliant points in your career but not brilliant points to change the history of Parliamentary democracy...(*Interruptions*).

SHRI PRANAB MUKHERJEE: Sir, I am not changing the history of Parliamentary democracy. I am just proposing a simple factor.

Now, I would like to draw the attention of the senior Leader Mr. Chandra Shekhar to one JPC Report.

Only yesterday, the Report of another JPC was simply described by a very senior Member as a whitewash. What are

you going to say about it? The JPC Report on Bofors was described as white-wash. Here, you are making a fine distinction.

SHRI BASUDEB ACHARIA (Bankura): That JPC was a fact-finding Committee. At that time, the Opposition had boycotted it.

SHRI PRANAB MUKHERJEE: You are making a distinction between the two JPC Reports. A JPC Report which suits your purpose should be unanimously accepted without any debate, without any discussion and a JPC Report which is not convenient to you should be rejected. That is not my contention. (*Interruptions*)

SHRI JASWANT SINGH (Chittorgarh): Mr. Minister can you yield for a moment?

SHRI PRANAB MUKHERJEE: I am sorry I am not yielding. Let me complete my point.

Let me tell my views. What is there in the Report of the JPC? It is the responsibility of the functioning of various Ministries under different Ministers. As far as taking moral responsibility is concerned it is not that the Finance Minister had done something wrong or had given some wrong decisions for favouring somebody as a result of which this had occurred.

So far as his personal honesty, his personal competence is concerned, everybody is one on that score. Now, the question that comes is taking the moral responsibility for failure of the Ministry. I would most respectfully submit that there are umpteen number of Parliamentary Committees which had criticised the functioning of the Ministries. What are we doing in COPU? What are we doing in Estimates Committee? Are they not criticising

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the functioning of the Ministries as a Parliamentary Committee? Are the Ministers obliged to take the moral responsibility of the failure of their Ministries? Do the Ministers resign by taking moral responsibility? (*Interruptions*)

SHRI SOMNATH CHATTERJEE: Those are not fact-finding Committees.

SHRI PRANAB MUKHERJEE: Let me understand very clearly the implications of observations made by the Parliamentary Committee on the failure of the Ministry. To my mind the Committee cannot appropriate the right of the House to decide the fate of the Ministers who are accountable to the House.

My question is, are we going to accept this right of the Committee? I am asking Shri Chandra Shekhar, the senior parliamentarian, former leader of the House and former Prime Minister of the country, the prerogative which is the inherent right of this House collectively to dismiss, to dispense the Executive at its will by bringing a Motion of No-Confidence. Can you delegate that power to a Committee?

The second question, which is more important, is why this convention of unanimity. (*Interruptions*)

SHRI SOMNATH CHATTERJEE: In their agony they are making a propounding theory which nobody can accept!

SHRI PRANAB MUKHERJEE: Why was the question of unanimity? Why do the parliamentary committees in India try to work out that the conclusion should be unanimous? It is almost in all the parliamentary committees. This is because we

know that while we are making our observations on the floor of this House, we are guided by party discipline, we are guided by the whip, our individual opinions, our objective assessments are sometimes controlled by the party lines which we are to follow. But when we sit in the Committee we just keep away our subjectivity, our partisan approach, our party considerations and try to go into the details, into the depth and analyse the problem as to what we consider the best for the country and come to an unanimous report.

Therefore, while functioning in a parliamentary committee we try to keep aside certain other considerations because we know that this objective report will be debated, will be discussed in the House and the House collectively will take a decision. My second contention and limited submission to the hon. Member is, could we ask... (*Interruptions*)

SHRI JASWANT SINGH: Let the House vote on this report then!

SHRI LAL K. ADVANI (Gandhi Nagar): Mr. Deputy Speaker, Sir, Mr. Pranab Mukherjee has raised a very pertinent point in the context of this JPC Report. I would think that this is certainly true that the House has the authority not to accept any parliamentary committee's report as we do, for example, in the Business Advisory Committee, we may be unanimous about something but when the Business Advisory Committee Report comes to the House, the House has certainly the right to amend it or even to reject it. But if the Government's intention was that then it could have been proper for the Government to come with a Motion under Rule 184 and say that this report is accepted with these changes or we leave it to the Government.

This is certainly not a commission of enquiry recommendation. A commission of enquiry makes a recommendation only to the Executive, only to the Government. Here is a unanimous report and as far as I recall this is the first time that a Committee of this nature has given a unanimous report without any dissent. It is significant. Therefore, even despite that, if you try to record this Joint Parliamentary Committee Report as something akin to a commission of enquiry on which the Government has to take a decision, then the answer is no. If a decision has to be taken collectively, it has to be taken by the Parliament, no one else and not without a vote.

Therefore, I would plead with the Government not to approach this Joint Parliamentary Committee Report in this manner, as it is the verdict of Parliament, unless the Parliament collectively changes.

SHRI PRANAB MUKHERJEE: Exactly, that is the point I said

SHRI BUTA SINGH (Jalore): It will be a very wrong impression sent out to the country if we have to accept what Shri Advani just now mentioned. *(Interruptions)*

I will give my opinion about unanimity when my turn comes, but let me put the record straight. This discussion is under Rule 193. The House is not obliged either to accept or reject it by vote. *(Interruptions)*

Let me complete. What is relevant for the purposes of record is that this report will become the property of this House after it has been submitted. Therefore, let us not become the judges only because a discussion has taken place in this House.

It will be a very wrong signal if we take the line as Shri Advani has just now adumbrated. And I propose that this should not be taken literally. *(Interruptions)*

SHRI SOMNATH CHATTERJEE: Kindly yield for half a minute.

SHRI PRANAB MUKHERJEE: I am not yielding. *(Interruptions)*

SHRI SOMNATH CHATTERJEE: He has been allowed to speak. Allow me half a minute. *(Interruptions)*

SHRI PRANAB MUKHERJEE: I am sorry. Let me complete my point. My point is, why are we having this discussion? It is not the Government's intention; it is not the Government's Motion. If the Government wants to bring this Motion, we would have first considered this Report and we would have placed the Action Taken Report. Yesterday, the motive of this debate was clearly explained by the Minister for Parliamentary Affairs and he said that before the Government wants to come to some conclusions, it would like to have the views of this House. Therefore, it is too late for Shri Advani to suggest that the Government should have come out with this type of formulations and that was not the intention of the House. *(Interruptions)*

SHRI INDRAJIT GUPTA: Did you accept the Report? *(Interruptions)*

SHRI PRANAB MUKHERJEE: How can I say it within nine days? I am not as super competent as you are. I cannot go through 900 pages Report within eight days and then come to the conclusion. *(Interruptions)*

SHRI SOMNATH CHATTERJEE: Yesterday, Shri Salman Khursheed has said that he accepts the Report. *(Interruptions)*

SHRI PRANAB MUKHERJEE: The Government will take time to consider it. The Government will take its own time and it is but natural that it will come out with its recommendations. Therefore, I would like to have the opinion of this House. My contention is that the House will have to debate, whether we can make a distinction between one JPC Report and another JPC Report, and whether we can make a distinction between a unanimous Report and the Report taken by the majority with a dissenting note. If we want to have so many classifications even in the functioning of the Parliamentary Committees, Mr. Deputy – Speaker, Sir, I am afraid, we will break a beautiful convention which we had built in the Parliamentary Committees, where we try to accommodate the views of others and to keep away our own prejudices; and henceforth a day may not be far off when even in the Parliamentary Committee functioning, the party line will be extended. If the corollary is that a Parliamentary Committee Report is accepted automatically, without debate, without discussions, without Government's formulations of views and somebody will have to go or somebody will have to own responsibility. And this is totally unacceptable to the parliamentary system.

Now, I am coming to the question of responsibility. *(Interruptions)*

In this connection it would not be wrong to mention one instance which had happened in this very House itself. All of you were there; all the senior leaders were there when Shrimati Indira Gandhi was expelled from this House on the privilege motion on 13th December 1978, 15 years ago and I would like to just quote one simple paragraph of her speech. *(Interruptions)*

SHRI SOMNATH CHATTERJEE: That was not a unanimous Report and we opposed that Motion. *(Interruptions)*

SHRI PRANAB MUKHERJEE: I am talking of the privilege motion on which she was expelled from this House and she was imprisoned. *(Interruptions)* I quote one simple paragraph of her speech:

"The Janta Party with its absolute majority had adjudged me guilty even before the House commenced its debate on the Report. Would it be unfair to conclude that the Party in power is trying to convert this House into a medieval 'Star Chamber' by raising the questions of privilege in what is essentially a question of the Party politics?..."

Sir, neither the Party in power nor the Parties in Opposition have a right to convert this House into a 'Star Chamber'. We shall have to discuss, we shall have to debate this Report dispassionately. And simply because thirty Members have given this Report, with due respect to all of them — they debated, they discussed and they came to some conclusions — this Report should be accepted as if it is our Report without discussion, without going into the various aspects of the Report, then it is simply unacceptable. *(Interruptions)*

SHRI SOMNATH CHATTERJEE: In future, no hon. Member will join the JPC. *(Interruptions)*

SHRI PRANAB MUKHERJEE: I have never suggested that a Report of the Parliamentary Committee should be equated with the Commission of Inquiry Report. In the case of Commission of Inquiry Report, you will not touch if the Government does not come out with its

Action Taken Programme. And if it is laid on the Table of the House without the Action Taken Programme, then the very next moment you will get up and ask, what are the actions taken by the Government in respect of the Commission of Inquiry Report.

That is why even Ministers have to give an explanation if the Action Taken Report is not submitted simultaneously. So, my intention is not to equate that. It is the only point which I am trying to remind the hon. Members that if Shri Malviya resigned, Shri T.T. Krishnamachari resigned, my simple submission was that they resigned because of certain observations in the Report under the Commission of Inquiry Act. Here, in this case, there was no Commission of Inquiry. It was the Committee of Parliament. They came to certain conclusions and they made a reflection. It is more relevant to compare this report to that of a large number of Parliamentary Committees criticising the functioning of the Ministries. For example, we are having the Standing Committees. I am not supposed to plead my case before the Standing Committee as the Ministers do not go to the Parliamentary Committee. They do not appear before the Committee. They are not examined and they are not subjected to examination. But, if their observations automatically lead to Ministers going out and taking a moral responsibility would it be justice? (*Interruptions*)

What I am trying to point out is that whatever we will do it will have its repercussions. Let us take a consensus decision. To my mind this debate is not whether somebody resigns or somebody stays. To my mind this debate is much more important because it has made a very large number of valuable recommendations. If we want to avoid the type of scam which has taken place then those recommendations are to be put into action.

I am grateful to Shri Ram Niwas Mirdha and his colleagues in the Committee who have taken tremendous trouble of going into many details almost in every area to find out as to who was responsible. That is one part. The other part is that they looked into the failure of the system. But, much more needs to be done. Even, they have suggested making certain legislations. Therefore, the House, as a whole, to my mind should adopt, should come out that this action should be taken. We will simply confine it to this. Assuming for the time being, if my colleague resigns will all the problems that have been raised here be sorted out? 'No'. Even Indian electorate also do not respond in that way. You also know it much better than anybody else. Shri T.T. Krishnamachari had to go as a result of the Chagla Commission and it happened after some time that in the same Cabinet both Shri M.C. Chagla and Shri T.T. Krishnamachari were Members because neither Shri Chagla considered that Shri T.T. Krishnamachari is a criminal nor Shri T.T. Krishnamachari considered that Shri Chagla did certain injustice to him. See what happened? Later on, the officer who had to go as a result of the Chagla Commission recommendations became an hon. Member of this House and as a Minister—Finance Minister and Home Minister. So, it happened.

You sent Shrimati Indira Gandhi to jail. This Parliament took a decision. But, Indian people rejected it within two years. Therefore, let us not come to this conclusion that we are the sovereign. The people are ultimately sovereign which has been pointed out by others and we should not do anything which should adversely affect the public opinion. In this Report, it is more important to rectify the mistakes, to rectify the omissions and commission which have taken place. Here, I would like to point out one thing. I do not subscribe

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to the views that this debate should be converted either to pro-reforms or to anti-reforms because we have adopted reforms. In this very House it was debated and simple arithmetic says that if this House, by and large, did not endorse the Industrial Policy Resolution or the Trade Policy Resolution then it would not have been passed because this side did not have the simple majority in their favour. Therefore, the policies which we are pursuing today are not merely the policies of a particular party or a group. They might have taken an initiative.

But, by and large, there is a consensus.

SHRI SOMNATH CHATTERJEE: It is not consensus. It is facing each other. *(Interruptions)*

SHRI PRANAB MUKHERJEE: I am saying by and large, to accommodate you. *(Interruptions)*

THE MINISTER OF AGRICULTURE (SHRI BALRAM JAKHAR): And it changes at times. *(Interruptions)*

SHRI PRANAB MUKHERJEE: If we go dispassionately into what has been projected in the report itself, we know that many of the things started happening wrongly. If we assume for the time being that when it came to surface some time in April-May, 1992, what did the Finance Ministry do? I just made some small points to find out what the Finance Ministry did when it came to surface. I would just like to draw the attention of the House to what the Finance Minister himself and the Finance Ministry did.

On 30th April, 1992 they set up the

Janakiraman Committee. The cases were referred to the C.B.I. in 11th May. On 16th May, the Finance Minister took a meeting with the Chief Executives of the banks and financial institutions wherein the Finance Minister directed them to immediately review their systems of internal control mechanism and investment policies. Then series of bank officers were either asked to go on leave, or they resigned or they were forced to retire or they were to go for compulsory retirement. What happened even before that? I will draw your attention to the Budget speech of the Finance Minister in 1991 where he has said some points. In his Budget speech of 1991 itself he drew the attention of the House to the weaknesses of the financial system. I am talking of 1991 and not of 1992. He directed the Governor of R.B.I. to appoint a committee to look into the frauds and other malpractices which are taking place in the banks and financial institutions. That was in October, 1991.

SHRI RAM NAIK: And it still continues.

SHRI PRANAB MUKHERJEE: Yes, it is continuing. I am admitting. It continued during your time; it continued during my time and perhaps, it will continue for some time. Unless we bring the institutional changes and we take the corrective measures, I am afraid, any amount of debate and exchange of hot words and trying to fix the responsibility are not going to help that.

I am grateful to the J.P.C. that the J.P.C. drew our attention that certain things are to be done; certain institutional arrangements are to be provided.

Now we had the control system; we had the regulatory system. But we found

out that the regulatory system or the control system could not adequately safeguard and prevent the malice which was emerging. It is not correct to say that the policies which we had in the fifties and sixties were wrong and today only we are having the correct policy. It is not so. I am not here to subscribe that what was relevant in the fifties and sixties were absolutely incorrect. In those days the private sector had neither the capacity nor the resources and the State had to intervene very effectively. And State intervened very effectively. That is why we got this infrastructure; that is why we got this human resource development and that is why we got this substantial and sufficient industrial base on the basis of which we could take off.

But by the very nature of things itself, what may be relevant in the fifties, sixties or seventies need not necessarily be relevant in nineties. And a system which must be sensitive and responsive, must be responsible. If it is responsible and responsive and if it becomes sensitive, naturally it can take the corrective measures. What has been done is that certain corrective measures have been taken. The new Prime Minister, Shri P.V. Narasimha Rao, and his colleagues thought and they decided that whatever be the difficulties, we must introduce the major reforms which are called for to meet the requirements which the changing situation is demanding. It is neither to find fault with the old system nor to have some sort of niche or a *mantra*. It is the dire necessity because the present situation demands that certain changes in the policies are called for.

Shri Indrajit Gupta referred to the mind-set of the Finance Minister. It is not the mind-set. He was fully aware that the system has become hazardous. But you do not know unless it comes to surface. It

came to surface in 1992. How it came to surface in 1992?

In March itself, the Finance Ministry and the Finance Minister himself gave a direction to watch the account of Mr. Harshad Mehta and when the account of Mr. Harshad Mehta was watched, after that the whole thing came to the surface. Therefore, it is not the mind-set. It is not that everything was going on well and everybody was feeling happy. It is not so. At sometime, some amount of complacency might have been there in the initial stages.

SHRI GEORGE FERNANDES: Mr. Deputy-Speaker, Sir, this is a revelation that the Finance Minister, in March, 1992, suggested that the account of Mr. Harshad Mehta should be watched. This is a revelation to us and this did not come before us anywhere so far.

SHRI ABDUL GHAFUOR (Gopalganj): Mr. Deputy-Speaker, Sir, I know one thing which had appeared in yesterday's papers that at 1.30 p.m., a particular officer of C.B.D.T. was called to the Finance Minister's Office and the Finance Minister asked to him as to who asked him to investigate into Mr. Harshad Mehta's case.

SHRI PRANAB MUKHERJEE: Sir, whatever information I had, I shared with the hon. Members. If the hon. Member says that there is a difference, I would like to correct myself. This information is in my possession and I am sharing it with the House. But, if I am wrong I will be correcting myself and when the Finance Minister speaks he will bear it out.

SHRI INDRAJIT GUPTA: Does it mean that but for some clues about the mischiefs of Mr. Harshad Mehta, nothing would have come to the surface?

SHRI PRANAB MUKHERJEE: No; I have not said that, because this was an abnormal situation which was accumulating over a period of seven years. It might have exploded at any point of time; it might have come out any time.

Sir, I am just correcting the statement which I have made just a little while ago. The instructions for watching the accounts of Mr. Harshad Mehta came from the Governor of the Reserve Bank of India. The Governor of the Reserve Bank of India had discussions with the Finance Minister earlier about the unhealthy trend in the stock market. As a consequence to that, the Governor of the Reserve Bank of India gave instructions to watch the accounts of one of the prominent players in the scam. So, I substantially correct what I said.

My point is, these things were accumulating over a period of time. There is a difference in the B.P. system that it takes normally 21 to 22 days for reconciliation.

SHRI NIRMAL KANTI CHATTERJEE (Dumdum): Then, why was Mr. Harshad Mehta asked to appear in the Television in defence of the Budget proposals?

SHRI PRANAB MUKHERJEE: I am not concerned whether he appeared in the Television in defence of the Budget proposals or not. The very limited point which I am trying to drive at is, the Government was not complacent. But, at the same time we did not have the full facts, because the Committee itself had pointed out that things might have started even earlier than 1986.

Now, let us look in terms of percentage of absolute figures. From 1982 onwards, the share market started to pick

up and there were booms of 150 per cent and 170 per cent. In 1982-83, when I took over, the contribution of the share market to the capital formation was almost a two digit figure. It was Rs. 90 crore or Rs. 95 crore or at best, it could be Rs. 100 crore. Then, a substantial step up took place and it maintained a steady growth even after 1991-92 before this abnormal bubble had appeared on the scenario. So, by looking at this development one might have got perturbed. Surely, I was not observing the stock market as close as those who were in the Government to come to the conclusion that there has been a phenomenal growth in the stock market.

SHRI TARIT BARAN TOPDAR (Barrackpore): You started and he made a blast.

SHRI PRANAB MUKHERJEE: The whole problem is, you do not understand what I started.

So, what I am suggesting is, from 1982-83 to 1991-92 there was a substantial steady growth of the stock market. Therefore, if you look at what happened between 1992 and 1993, you will find that some people started eulogising these people as if they are the messiahs of the new system. When somebody invited him to speak in the Television, then the media and everybody started eulogising them that they are the reformers.

They are going to make a big change in the country.

SHRI SOMNATH CHATTERJEE: That is on the cover of the Financial Journals.

SHRI PRANAB MUKHERJEE: Therefore, that was a general atmosphere in which somebody thought about it. But

whenever it came to the notice of the system and in general terms, the Finance Minister drew our attention in his Budget speech of 1991, in his budget speech of 1992 and by instructing the Governor and talking to the Chairmen of the stock exchanges that things are not all right; somewhere something is wrong. To, my mind, the alarm bell definitely rang in the ears of the Finance Minister and certain corrective steps were taken.

[Translation]

SHR RAM VILAS PASWAN: Under what system were the 'Loan Melas' started by the Government?

[English]

SHRI PRANAB MUKHERJEE: Most respectfully, I would like to submit that perhaps he has little bit anachronistic because I think, loan *mela* started from 1985 onwards. Before that, I was out of Ministry of Finance. Personally I did not have the responsibility. But none the less, I own the responsibility as a member of the Government.

SHRI AMAL DATTA (Diamond Harbour): Mr. Rajiv Gandhi started the first loan *mela* in 1983-84.

SHRI PRANAB MUKHERJEE: I am owing the responsibility. But you cannot say precisely...

SHRI RAM NAIK: You are owing the responsibility for that. But you do not want Dr. Manmohan Singh to own the responsibility now.

SHRI PRANAB MUKHERJEE: You have not understood it. My whole problem is, I tried to convince you but you refuse to get convinced.

What I have tried to point out is, it accumulated because of the expansion of the bank branches, because of the expansion of the substantial and to some extent, considerable lethargy and everyone is a defaulter. Government director is a defaulter. Similarly, in the banking sector, trade union representatives are the defaulters because in each Board of Directors, there was a representative of trade union organisations. To my experience, in two stages at the Banking Minister, from 1975 to 1977 and from 1982 to 1985, hardly I came across a bank director either official or non-official director who has drawn my attention, that something is wrong in the system, units are becoming sick, advances are going to be jeopardised. This did not happen. So, there was certain amount of dereliction of duty on the part of the Government of the day which has to be admitted. I am not shirking from my responsibility. But the limited point which I am trying to drive at is, do you feel simply because somebody almost in a rhetorical manner assumes the responsibility, moral responsibility, just simply to maintain the form, we will be able to get out of the problem, unless we address ourselves to the substance of the problem?

To my mind, so far as the substance is concerned, this JPC Report deals adequately. It would be our responsibility to look into that and we should be grateful to the Chairman and his colleagues in the JPC because they have come out with certain positive suggestions which will help to in-build certain institutional arrangements, to prevent an occurrence like that. Let us not create a situation of *Alice in Wonderland* where every card will jump up and say: "Off with His or with Her." Let us not have that situation. Let us not have the psychology.

With these words, I conclude.

SHRI SRIKANTA JENA (Cuttack): Mr. Deputy-Speaker, Sir, after hearing the wouldbe Finance Minister and present hon. Commerce Minister, I am really amazed about it.

The way in which he has interpreted the whole JPC report is really amazing. The theory and the arguments he has advanced are that the JPC report will be considered by the Government after hearing the debate in this House and that then only the Government will take a decision.

Yesterday morning, exactly when this debate started, I raised this issue. What is the Government's response to this report? Let the entire House know what exactly the thinking of the Government on this report is. After getting the report presented, the Government is yet to make up its mind and come before the House and say what exactly the thinking of the Government on this report is. That is what the hon. Commerce Minister now explained that the Government will take a position on the report itself after hearing the debate in this House. He said let not the Opposition make this House a Star Chamber. We have never tried to make it a Star Chamber. Some attempt was made by Mr. Pranab Mukherjee rather, and by the Congress side, to make this Chamber, a Maker Chamber. We know your attempt to make this Chamber a Maker Chamber. We do not allow it. (*Interruptions*)

I will be failing in my duty if I do not congratulate the hon. Members of the JPC and its Chairman Shri Ram Niwas Mirdha on the excellent job they have done. In the report, right from page one to the last page, every page is important not only for this House but for the entire nation. I have the highest regard and respect for Shri Manmohan Singh. I have my personal regard for him. But I demand

his resignation. Not that I will demand before the Prime Minister that his resignation should be accepted. He owes moral responsibility not because of acts of omission but because of acts of commission also. How is it an act of commission? I will just bring to his notice the whole episode, how this episode started actually. What is this Scam? Rs. 5,000 crores of Government money is lost from the exchequer. How could it happen? There was a Circular that the public sector banks can only operate in the current account with the nationalised banks. This was changed on 3rd March, 1992. This Circular is the root cause of the entire situation.

MR. DEPUTY-SPEAKER: Some whisper campaign is disturbing the peace of the House.

SHRI SRIKANTA JENA: I would like to draw the attention of the Commerce Minister and also of the Finance Minister to the decision in the 3rd March, 1992 Circular which was changed and which says that the public sector undertakings can go to the foreign banks, can deposit their money in the foreign banks, in the private banks and in the portfolio management scheme. What is the portfolio management scheme? This is a scheme to attract the corporate money to the bank and playing the gambling market, the stock-market. I say that the stock-market is a gambling business and the gambling business was allowed by this decision of the Department of Public Enterprises Circular of 3rd March, 1992.

If this Circular of 3rd March got the sanction of the Department of Economic Affairs, may I know from the hon. Finance Minister, how it could happen? I want to know whether this decision was brought to your notice and whether you signed this decision or not. This 3rd March, 1992

decision led to the entire economic blockade and the PSUs were allowed to deposit their money in portfolio management scheme. So, after 3rd March, Circular, if you look at the PUCs involvement in the whole affair, you will find that there are three main components in the whole scheme.

The decision of the 3rd January Circular is the first component. The second component is about the coupon rate leakage; and the third is the decision to allow the Public Sector Undertakings to deposit their money in the foreign banks and allow them to play the PMS operation. The promoters' quota comes later on because when they got the money, they played in the market and got their money through their companies' account in their respective banks which got more money and ultimately they started playing the market also. That is the subsequent story.

Next, the Finance Minister tells the JPC like this:

"As regards the functions of the FM, 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 more direct responsibility in these areas. He is also responsible for broad policy decisions affecting the financial system where the Finance Ministry is involved."

I hope the Finance Minister will certainly speak when his term comes and he will clarify this decision at least. It is this policy decision of yours which led the Department of Public Sector Enterprises issue the 3rd January, 1992 circular which ultimately enabled the Public Sector Undertakings to go to the market to play the PMS scheme and play their money. That allowed their money to be played in the

hands of the brokers, in the gambling market, in the stock business. I think the Finance Minister will certainly tell whether he has a role or not in this policy decision; whether the officers themselves took this decision or the Department of Public Enterprises did it. The Department of Public Enterprises directly comes under the charge of the Prime Minister. The Department of Public Enterprises directly come under the charge of the Prime Minister. The Department of Public Enterprises, the Secretary of the DPE then recommended it taking the approval of the Industry Minister—that means the Prime Minister — and got the approval from the Finance Minister and ultimately this circular was issued. So, both the Prime Minister and the Finance Minister know that unless we open the floodgates of the Public Sector to this PMS scheme, it will not be possible. They said it is a chronic business. May I know from the Finance Minister whether he is honest?

Sir, let us know one thing. Before this circular was issued, how much money went to the PMS scheme and to the brokers' hand? You have to explain that because in this Report itself it has been mentioned that Rs. 36,000 crores of the money of the Public Sector Undertakings went to this Scheme and to the different markets only after the circular was issued. So, the loss to the State Exchequer was not there before 1991-92. If there was any chronic problem, then, the Finance Minister should have come forward to explain. He should have, by this time, brought to the notice of the House that before this problem also, there was a problem. If there was a problem, what was the total loss to the State Exchequer? You must explain that to the House. If it was there earlier also, then what was the loss? The point is there was no mention of it—not even a rupee of loss to the State Exchequer was mentioned. So, the loss of Rs. 5000-6000 crores to the State Exchequer came only after this circular was issued and during this period only. Then comes to operation of the scheme.

[Shri Srikanta Jena]

[English]

The whole policy decision led to this kind of a scam.

That was originated from the Department of Public Enterprises which is under the direct control of the Prime Minister. It got the sanction of the Finance Minister which ultimately blasted to this dimension. We are now discussing that.

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): Sir, this is totally wrong. I think, it is explained very clearly in this Report that this PMS scheme existed long before 1992 and the foreign banks were there. If you read all these documents, it will be clear. Please read them. I will explain.

SHRI SRIKANTA JENA: I know that the PMS scheme was there.

13.00 hrs.

This Portfolio Management Scheme (PMS) was there in the banks, but the public sector undertakings were not allowed to deposit their funds under the PMS scheme. That was the issue and all of us know that such a scheme was there. *(Interruptions)*

SHRI NIRMAL KANTI CHATTERJEE: I think, it may be pointed out, as the Finance Minister certainly knows, that in early 1992, what was permitted was that funds can be deposited in the foreign banks also which was prohibited earlier. I think that is what he concurs in. *(Interruptions)*

[Translation]

SHRI NITISH KUMAR: It is nice that atleast you have spoken. Now it is clear that resignation has not been tendered by you.

SHRI SRIKANTA JENA: At page 223 of the Report, the Committee says that:

"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."

The Finance Minister is the custodian of the public exchequer. The Finance Minister is like the officer in-charge of a police station and he is the officer in-charge of public ex-chequer. But he says that he is not responsible. When there was a theft, it is just like saying that I was there, but, I am not a shareholder in that amount or whatever it is. It is just like saying I was there, I was dozing or I was sleeping or I was doing something but, I was not responsible for that.

Yes, I know about his personal integrity and everybody knows about his personal integrity. His personal integrity is very high and equally my personal integrity is also high; and so also the personal integrity of all the Members in this House is very high. If somebody is not found guilty, then his personal integrity is high and there is no doubt about Shri Manmohan Singh's personal integrity. That is there as in the case of others also. But what about his professional integrity? What about his professional responsibility? He has failed in his professional responsibility. If the new generation of Congress-I Benches say that professionalism has to be there, then there has been irresponsible professionalism shown by the Finance Minister. I can say that much, though I have personal regard for him.

Sir, with regard to public sector undertakings, the Report says that the public

sector undertakings are the main players in this whole scam. They gave nearly Rs. 36,000 crore to this whole game. They have surplus funds. They got the money through bonds and they diverted that money to the brokers for this gambling. If you just glance through this Report--the Prime Minister says that he is quite comfortable now--you will find it amazing that in 1991 the Nuclear Power Corporation Limited, the department which is directly under the control of the Prime Minister, deposited Rs. 185 crore under this PMS scheme. In 1991-92 they deposited Rs. 867.24 crore and in 1992-93 they deposited Rs. 178 crore. What is interesting is that this Nuclear Power Corporation does not have their own funds because they do not generate funds. That is why the budgetary support was there. We give money from the budget, but this Corporation, which does not have their own funds, in spite of the budgetary support, what did it do? They got the money from the budget, they straightway went to the bank, deposited their money under the PMS scheme and asked the brokers to take that money and to play in this gambling market.

Then, the bonds of the Nuclear Power Corporation came. May I ask the Prime Minister? The Prime Minister is not here in the House. *(Interruptions)*

SHRI NITISH KUMAR: Shri Mukul Wasnik is here. He is the Minister of State for Parliamentary Affairs. *(Interruptions)*

SHRI SRIKANTA JENA: The junior Minister in charge of the Nuclear Power Corporation and my friend, Shri Rangarajan Kumaramangalam has already resigned. *(Interruptions)*. He has having the direct control of the Nuclear Power Corporation. The report says:

"The Committee regret to note that all the above PSUs instead of utilising the funds for their operational requirements have made huge in-

vestments with banks/finance companies. Thus, while on the one hand, budgetary support was sought from the Ministries, on the other, funds were invested, thus depriving the PSUs of these funds for considerable periods."

This is the observation of the Committee. The funds were not available for the Corporations. They got the money from the Budget and they played in the open market, in the gambling business. The Prime Minister says, "I have no concern for this and I cannot take any responsibility for this." This is the case not only with the Nuclear Power Corporation. There are many Corporations like this, But, I am just pinpointing the Prime Minister's direct responsibility and where his Departments are directly concerned.

Another interesting aspect is this. I do not know whether Shri Madhavrao Scindia knew that this observation will come in the report and that is why, he had resigned earlier. About Inter Corporate Loans, the Committee says:

"Some PSUs invested moneys as intercorporate loans. In a meeting taken by the then Minister of State for Civil Aviation on 6.2.1992, it was decided to provide to Vayudoot Limited, Rs. 10 crores each from AI and Indian Airlines to take care of its pressing funds requirements and to liquidate its most urgent liabilities. Vayudoot promptly invested this money in short terms deposits. Certainly not a liquidation of its most urgent liability."

Sir, Vayudoot got money from the Air India and the Indian Airlines. Straightway, they went to the gambling business without spending it for the purpose which they indicated to the Air India and the Indian Airlines. The Minister sanctioned that money, diverted that money from the Air India and the Indian Airlines, invested it in

[Shri Srikanta Jena]

some short term loans so that they can liquidate whatever liability that is there. Ultimately they got the money and on the very same day, they jumped into the gambling business. The Minister says, "No. I am innocent about that".

Then, I would come to the External Borrowings. The Finance Minister says, "We do not have any foreign exchange reserve. We go to the IMF and the World Bank, borrow money and then manage the state of affairs and all these kinds of things." This is an interesting thing to note. The Committee notes in 14.30:

"Some of the companies like State Trading Corporation..."

Mr. Chidambaram is not here today in the House. He was the Minister then.

"...State Trading Corporation (STC), Minerals and Metals Trading Corporation (MMTC), Indian Oil Corporation (IOC), ONGC resorted to external borrowings to meet their business operation requirements. Funds which became available as a result of availing foreign currency borrowings, were often lured..."

I underline this word "lured".

"...lured into PMS and such other questionable activities."

Who lured this? (*Interruptions*) Who lured these companies like STC and MMTC, Mr. Chidambaram? Is it a system failure? (*Interruptions*) Can any system in any part of the world function without a man and without regulations?

[*Translation*]

SHRI ABDUL GAFOOR: Mr. Deputy Speaker, Sir, neither the House

nor the rural folks know that I can get 2 per cent commission if I manage to get a sum of Rs. 10 crore deposited in any bank through the hon. Minister. Nobody is aware of this provision. (*Interruptions*).

[*English*]

SHRI SRIKANTA JENA: Sir, now I am feeling that — I was the Chief Whip then — I would have suggested *chacha's* name to the JPC and requested him to be in the JPC so that this factor would have come in the JPC report. I am sorry, that is not there. But, it is a fact of life now.

Sir, about the external borrowings, I do not really understand as to how these corporations—STC and MMTC—could get clearance from the Ministry or the Minister to take that money of the foreign borrowings to the gambling business.

Another aspect is about floating of bonds. The administrative ministries concerned accord approval. It is a policy matter, Mr. Finance Minister. You say: "I am not responsible. I am only responsible so far as the policies are concerned."

The administrative ministries concerned accord approval for issue of bonds, both taxable and non-taxable, after clearance of the overall quantum and break-up by the Department of Economic Affairs which invariably obtained the views of the Planning Commission before giving such clearance. PSUs were earlier also required to obtain the approval for subscription. The total amount of bonds issued, both taxable and non-taxable, by 19 PSUs were of the order of over Rs. 20,000 crores.

Without taking the clearance of the Planning Commission, you have given the go-ahead to these 19 PSUs. They went ahead with the bonds scheme and floated their bonds in the market. What did they do? These public sector undertakings did not have money. They went to the Fi-

nance Ministry and said: "We want money for our internal functioning. We go to the market. We will sell our bonds with a specific 17 per cent interest rate to the public, that is, those who will purchase our bonds."

What did the Power Finance Corporation do? I think, then you were the Power Minister, Mr. Kalp Nath Rai. The Power Finance Corporation floated 17 per cent taxable secured redeemable bonds for Rs. 300 crore. These were allotted to Citibank and UCO Bank on private placement basis, Rs. 300 crore were placed to the Citibank and UCO Bank. The money came.

You sold the bonds. You did not get that money immediately. Then, you immediately asked these banks: All right, you go ahead and put it into your portfolio management scheme and go to the *havala* — I mean, this gambling business. The whole scheme-clearance by the Finance Ministry to go to the market, to float the bonds-had the intention to get money to the brokers and got the money from the market-Rs. 20,000 crore. You sent that money to this market. Mr. Finance Minister, you say: "I am not responsible for this." Then, who else is responsible for this?"
[Interruptions]

[Translation]

SHRI UDAY PRATAP SINGH (Mainpuri): Mr. Deputy-Speaker, Sir, yesterday Shri Khursheed Sahib quoted two couplets. Today, with your permission I would like to quote two couplets.

"Bane Hain Aehle Havas Muddai
Bhi Munsif Bhi,

Kise Vakil Karen Kisse Munsifi
Chahein".

It is the question of morals and principles besides loss of money. Loss of

money is not all that important but the country's prestige has been seriously tarnished. Faith in democracy has been undermined and eroded and it is not being accepted. In this regard I quote another couplet.

"Unme Kirdar Kee Azmat Nahi Pai
Jati,

Ho Ke Mazboor Jo Bande Ko
Khuda Kehte Hain".

It is the old tradition of the Congress to adore personality cult. This is the reason why such submission are being made. Since yesterday many thoughts are coming into my mind. Therefore, I would like to recite a poem.

"Dahate Koolon Ko Shikayat hai Ki
Navik bankar
Hamne Kishti Ko hi toofan bana
Dala Hai,
Unche adarsh Saream yon neelam
Kiye,
Jaise Jantantra Ko dukan banadala
hai,
Kavi Kee awaz bagawat par utar
aayi hai,
Dal Ke daldal hame Koi Sarokar
nahin,
Hamne Is Desh Kee Tasvir bigari
Aise,
Jaise Is Desh Kee mitti Se Hame
payar nahin."

[English]

SHRI SRIKANTA JENA: The Nuclear Power Corporation Limited, under the direct control of the Prime Minister, and the Rashtriya, Chemical Fertilisers Limited had placed funds merely on the basis of requests received from banks without undergoing the proper procedure of even calling the tenders.

If I do not mention about Mr. Rameshwar Thakur's documents, then I will really not be performing my duty in this House. He is a good friend of ours.

[Shri Srikanta Jena]

(Interruptions) I was compelled to mention this because the hon. Commerce Minister said that because of the Finance Minister's instructions, the CBT people — the Income-tax people — should have a watch over Harshad Mehta's accounts. That is why the whole thing was exposed and we could know what was happening in this.

Actually, that is not the position. The JPC report says that this issue came to the notice of Minister of Revenue, Mr. Rameshwar Thakur, on 8th April, 1992. Para 17.65 on page 235 reads as follows:

"The Committee find that the file containing the note of the Member (Inv) was sent to the MOS(R) on 8.4.1992. However, this file remained pending with the MOS(R) for quite some time i.e. till 6.5.1992 before sending it to the Finance Minister. As regards the reasons for the delay, the argument advanced by the MOS(R) was *inter-alia* that the note 'was actually a routine monthly report of income-tax raids for information only'. The fact however is that this file also contained a couple of paragraphs on the misdoings of Shri Harshad Mehta. The Committee express their unhappiness over this delay. They find that the MOS(R) signed and forwarded this note to the Finance Minister on 6.5.1992 and the latter also recorded his note on 9.5.1992."

That was the time when the news of scam broke out in the press and that was referred to in Parliament. So, the Income Tax authorities in Bombay...

THE MINISTER OF STATE IN THE
MINISTRY OF RURAL DEVELOPMENT
(DEPARTMENT OF RURAL
DEVELOPMENT) (SHRI RAMESHWAR
THAKUR): I have already requested the

hon. Speaker to give me an opportunity to clarify my position. After hearing the clarification, I am sure, Shri Jena will be fully satisfied. So, let him speak on other things. With all respect, I submit again that I will be explaining the whole position today itself.

SHRI SRIKANTA JENA: Even after hearing Shri Rameshwar Thakur, the entire JPC was not satisfied. He may straightway satisfy me but he could not satisfy the JPC. It is not as if the JPC has not heard. The JPC did hear him.

SHRI RAMESHWAR THAKUR: I was not called by the JPC. I did not have an opportunity to appear before the JPC. Let me please explain the whole thing. Thereafter he can say anything that he wants to.

SHRI SRIKANTA JENA: I know you will explain it in a very good manner. But that is not the point. I am not trying to drive the point home that the Income tax people who raided the house of Shri Harshad Mehta were scared. They were getting telephonic calls that their lives were in danger. They came to the Ministry.

SHRI PAWAN KUMAR BANSAL (Chandigarh): You please substantiate your allegations. Without any evidence, you cannot speak like that!

SHRI SRIKANTA JENA: I will substantiate it if you ask the Finance Minister to bring the files. You may see the noting. The officials were getting threatening calls.

SHRI RAMESHWAR THAKUR: I take strong exception to his statement. He cannot talk in that way when there is no documentary evidence to support his statements. It is very unfair to say something in a general way. *(Interruptions)*

SHRI PAWAN KUMAR BANSAL: This is nothing but an irresponsible insinuation.

SHRI SHRIKANTA JENA: I am not going into the intentions of whatever is stated in the files. Whatever the Finance Minister has written in the files about the delay etc., that reveals many things. But I am really not going into it. The story is that when the officers wanted to do really something, they were not allowed to do so.

What does the JPC say about the nexus between big industrial houses, banks and politicians? The JPC has said that there is evidence of the nexus but the JPC does not have the machinery at its command to locate this nexus. Since then 16 months have passed. What did the Finance Minister do? He could have found out the nexus. Is he going to share this information as to who was the end beneficiary of the scam? About these big industrial houses, brokers, public sector undertakings, decision makers, banks, managers, etc., everything is there in the Report itself but it is silent as to who is the end beneficiary. JPC says that it does not have the machinery to find out the end beneficiary. The investigating agency like CBI has failed and it did not cooperate with the JPC. CBI is under the direct control of the Prime Minister. I would like to put a straight question to the Prime Minister. Why in the case of Goldstar there was a delay?

SHRI MRUTYUNJAYA NAYAK (Phulbani): You tell us your suggestion, because all this has already been discussed in the JPC.

MR. DEPUTY SPEAKER: Mr. Jena, there are four more speakers from your side.

SHRI SRIKANTA JENA: Let me complete, Sir. It is really painful to see that an institution like the CBI has failed. This has been mentioned in the report itself. In the case of Goldstar, SEBI has done a marvellous work and produced a 50-page report on Goldstar. I think its name should be changed to Diamondstar.

It has got the blessings from the top; if I say the Prime Minister then Members from the Treasury Benches will shout. But, his son is a Director in that company.

SHRI PAWAN KUMAR BANSAL: Have you tried to understand the point involved there? You have not, because you are only obsessed with one thing. You are saying it only because you are obsessed to say it. You do not know the point involved in it. It was a personal loan by another promoter.

SHRI NIRMAL KANTI CHATTERJEE: Sir, his intervention requires that we, as Members of JPC have to defend our report here. We have to tell what we have reported to the House. If he wants that, we can elaborate it.

SHRI PAWAN KUMAR BANSAL: Nobody can stop you personally. (Interruptions) I am not a street jester. (Interruptions).

SHRI MRUTYUNJAYA NAYAK: That is already under investigation. There is no point to discuss this matter. That does not come within the ambit of the report of JPC.

SHRI SRIKANTA JENA: Sir, I am not yielding. I must get your protection.

MR. DEPUTY SPEAKER: Unless the speaker yields, nobody should speak.

SHRI SRIKANTA JENA: The report says that the CBI has not discharged its duty and has unnecessarily delayed the investigation of Goldstar. These allegations are baseless. (Interruptions)

[Translation]

AN HON. MEMBER: Why are you interrupting time and again?

[English]

SHRI PAWAN KUMAR BANSAL: Sir, I take strong objection to this. Is there something wrong that I have said? I do have a right to speak. *(Interruptions)*

SHRI SRIKANTA JENA: I will bring to your notice, Sir, that the CBI has revealed that they have obtained favours of 513 public servants and their relatives belonging to 42 different Government departments like the banks, public sector undertakings, etc., in allotment of shares under the promoters quota from FASL, Fairgrowth Services Limited.

So, there were public servants, their relatives belonging to 42 different Departments. I do not know why Mr. Chidambaram had resigned. They had obtained the promoters' quota viz. the value of Rs. 10/- share in the market was Rs. 1,000 and they got at the rate of Rs. 10/- per share.

The Report says and I quote:

"Public servants include the Ministers."

Why did Mr. Chidambaram resign? He was talking about the New Economic Policy. Yesterday, championing the cause of the Economic Policy, he said that because of this New Economic Policy, they had won in Madhya Pradesh and Himachal Pradesh. If that is so, then why did they lose to Mulayam Singh Yadav in Uttar Pradesh? Let him go to Lucknow Station. Everywhere, it was the verdict against the communal forces. It was not the New Economic Policy as had been said by Mr. Chidambaram that was responsible for their winning the elections. As rightly stated by the senior leader Mr. Indrajit Gupta in this House, the political system has to be changed and not this Parliamentary system of democracy. On

the other hand they want a change which suits the new Economic Policy. By keeping under the garb of the New Economic Policy, they are trying to pursue all kinds of things.

SHRI MANORANJAN BHAKTA (Andaman & Nicobar Islands): Mr. Deputy-Speaker, this JPC will set a new precedent. I do not know why he is unnecessarily saying all these things.

SHRI SRIKANTA JENA: My dear friend Mr. Khursheed had rightly said that there should be moral turpitude. Morality and Congress Party are two different things.

THE MINISTER OF STATE IN THE MINISTRY OF HUMAN RESOURCE DEVELOPMENT (DEPARTMENT OF YOUTH AFFAIRS AND SPORTS) AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI MUKUL WASNIK): Do not try to say that it is Congress versus Janata Dal.

SHRI SRIKANTA JENA: That is not my point. He said yesterday that morality comes only if there is a moral turpitude. If a Congressman goes and brings something.. *(Interruptions)*

SHRI MRUTYUNJAYA NAYAK: In the broad day light, the Ministers of his State Government ** They are now talking here of moral turpitude. *[Interruptions]*

MR. DEPUTY-SPEAKER: It does not go on record.

SHRI SRIKANTA JENA: I would request Dr. Manmohan Singh to ensure Mr. Nayak's berth positively if there is a reshuffle. You please see that he is inducted in the Cabinet. I am recommending him because, he is a Member from Orissa.

SHRI MRUTYUNJAYA NAYAK: I do not need your recommendation.

SHRI SRIKANTA JENA: I am requesting Dr. Manmohan Singh to recommend your name. Anyway, I do not myself to be derailed from this issue.

The point is that the whole approach of the Congress Party yesterday was that it was the Opposition which was attacking the New Economic Policy. Mr. Jaswant Singh supports their Economic Policy. We are opposed to it. The Left Front and the National Front are opposed to this New Economic Policy and liberalisation. There is no ambiguity in that. The JPC did not get divided on party lines. They did their job. They were able to produce this brilliant Report. But this Report is yet to be accepted by the Government. They are waiting for the completion of the debate in the House. That is the paradox of the whole thing. The Prime Minister and his Department, the Finance Ministry and his Department and more than half a dozen Ministers are involved in this scam. In Paragraph 2.7 of the Report on "Observations" it says:

"This is a deliberate criminal siphoning off of the public funds from the State exchequer."

The scam is basically a deliberate thing. It is not a system's failure. If they say, "it was a system's failure" then I would say, "it was a deliberate system's failure" manned by the person who is responsible for governing this country. The scam was basically a deliberate and criminal misuse of public funds through various types of securities transactions with the aim of siphoning off of funds from banks and PSUs for speculative returns. There are many other things.

Finally, the Committee says and I quote:

"It is the view of the Committee that there are several dimensions for the

entire episode. Here the system's accountability was largely absent."

Mr. Khursheed, you are the Foreign Minister. Have you seen a system anywhere without a regulation, without a law being managed by robots not by men?

Can you cite an example like your friend, the former Minister. Shri Chidambaram cited that it was a system failure? How can a system fail? If a man does not fail, a system cannot fail. Until a regulation is thwarted the system cannot fail. Here, deliberately the system is made to fail. The responsibility goes to the Prime Minister and the Finance Minister and they must resign. That is all I have to say. Thank you Sir.

MR. DEPUTY SPEAKER: The House stands adjourned for Lunch to meet again at 14.15 hrs.

13.30 hrs.

The Lok Sabha then adjourned for Lunch till fifteen minutes past Fourteen of the clock.

14.21 hrs.

The Lok Sabha re-assembled after lunch at twenty-one minutes past Fourteen of the Clock.

(MR. SPEAKER *in the Chair*)

MR. SPEAKER: Now, Shri Vidyacharan Shukla will make a statement.

14.21 1/4 hrs.

STATEMENT BY MINISTER

Progress of Talks Between India and Nepal Re: Cooperation in Water Resources Development*[Translation]*

THE MINISTER OF WATER RESOURCES AND MINISTER OF PARLIAMENTARY AFFAIRS (SHRI VIDYACHARAN SHUKLA): Even though talks for the cooperation in water resources development between India and Nepal have been going for a long time, a new thrust was seen emerging after return of democracy in Nepal in 1990. The Prime Minister of Nepal visited India in December, 1991 and our Prime Minister visited Nepal in October, 1992. The talks were being held earlier from 1971 at official level and since 1988 at Sub-Commission level headed by Secretaries, Water Resources. The understanding reached during the two visits of Prime Ministers provided decisions regarding Karnali, Pancheshwar and Sapta Kosi multi-purpose projects, medium size projects, flood embankments and flood forecasting schemes. In addition decisions were also arrived for Tanakpur project and exchange of power between the two countries at the borders. During the Prime Minister's meeting in October, 1992, a time frame for implementation was agreed upon. Several of these activities were to be completed during this year in 1993. These tasks could not be accomplished due to various reasons.

During my visit to Nepal for Ministerial level talks, I called on the King of Nepal, the Prime Minister of Nepal and other important leaders in Nepal. I was encouraged that the Nepalese side did

show interest in harnessing the water resources for our mutual benefit. I requested for identification of the root causes for lack of visible progress on new projects and suggested that these may be identified for taking remedial measures. During our talks with Nepalese, we were able to persuade them to prepare an action plan jointly for working together on the various projects agreed during our Prime Minister's visit to Nepal so that compliance could be expeditious. In accordance with the new time frame agreed for action plan, the various activities are scheduled to begin in the coming year 1994 and based upon the cooperation that would be forthcoming from the Nepalese side the tasks could be completed by both the sides in the next two years or so. The problems in Nepal and India are common. The power generated is acutely needed for utilisation in development works in both the countries. The reservoir projects apart from generation of Hydro-electric power also provide additional benefits in terms of irrigation and flood control. It was suggested that Indian financial institutions and even international ones can be brought in for implementation of projects on which there would be agreements. We could make joint endeavours to mobilise the required finances from bilateral and multilateral funding agencies for such projects. They were also willing to accept private sector participation for development of hydro-power electricity.

The river waters that can be conserved for our mutual benefit also cause large scale devastation during the flood times. This year we had witnessed such devastations caused by the floods in the Kosi river and this has made both India and Nepal concerned about the necessity of constructing Kosi High Dam Project in Nepal. The response to our taking up the survey and investigation work on Kosi

project was initially not encouraging but they were persuaded to begin discussions in May, 1994 on the project with the view of preparing feasibility report. India has made a very good progress on Pancheshwar Project and with the cooperation of Nepal expects to finalise its detailed report shortly.

The main difficulty in taking up new projects is due to lack of agreement on cost and benefit — sharing from the projects. It was suggested that the two countries should work together and finalise the criteria for apportioning the project cost between the different components and methods of evaluating the mutual benefits.

To expedite the progress of work in different projects being looked after by separate groups, the Nepalese side agreed for monitoring the activities quarterly and review bi-annually by the respective Ministers of the two Governments. The Group is to be headed by Ministers of Water Resources of the two countries and may include representatives from the sectors of Energy, Agriculture and others.

An invitation was extended to Mr. L.P. Ghimire, Minister of State for Water Resources, HMG Nepal to visit India at a mutually convenient time. The invitation was accepted by him with pleasure and we look forward to meet him and the Nepalese side in near future for making further progress in this direction.

[*Translation*]

SHRI HARI KISHORE SINGH (Sheohar): Mr. Speaker, Sir, there was a loss of crores of rupees in my constituency this year due to floods. The Prime Minister has visited that area. Has

the Prime Minister initiated any discussion on it?

MR. SPEAKER: You may discuss it with him later on.

14.25 $\frac{1}{2}$ hrs.

DISCUSSION UNDER RULE 193

Report of the Joint Committee to Enquire into Irregularities in Securities and Banking Transactions – Contd.

[*Translation*]

MR. SPEAKER: Shri Buta Singh.

SHRI BUTA SINGH (Jalore): Mr. Speaker, Sir, a discussion is going on the report submitted by the Joint Parliamentary Committee on the securities scam. I am half-heartedly participating in it because though all the hon'ble Members be it our opposition leaders or hon'ble members belonging to other parties; who have spoken on this issue said at the very outset that every member should consider this report by rising above party-line, yet their speeches were based entirely on their party view points. This sermon is not merely for this House. I believe that the opposition is encouraging biased views in the whole of the country. The opposition has never let go any opportunity to dislodge the present Government from power — whether it was through motion of no-confidence or some other pretext. If we look at the securities scam in the right perspective, a layman will find that it is a question of a scam of millions of rupees and several criminals are involved in it and bureaucracy is also hand in glove with them. And the way our financial system or our capital market or the growth of the national capital and its distribution

[Shri Buta Singh]

and our banking system have been misutilised in the last half-century after independence, we should be ashamed of ourselves and seriously consider about determining some directives for the country through this House. If the opposition wants to level allegations at the Government on this serious issue of national importance by politicising it, I would not hesitate in saying that Governments led by other parties were also involved in it.

This process had started 10 years ago and many important people, several capitalists also were indulged in the misutilisation of the present system, rules and regulations and also the present banking system. It is not proper for the hon'ble Members to say that only the congress party was involved. In its racket. I do not hesitate to say that though the biggest culprit of this scam has been pin-pointed with so many proofs to back the charges yet during the motion of no-confidence all the proofs I presented pointed at a direct link with the biggest opposition party. Who corrected that affidavit? Who defended that affidavit? But today a picture is being created before this country through this House as if the present Government is responsible for it.

So far as the rules and regulations and financial system of our country is concerned, we are willing to accept all sorts of proposals, suggestions but I feel that not a single party can defame the present Government by arraigning her because all the parties are to be blamed for its occurrence. The Government led by Shri V.P. Singh is also to be blamed as it had a support of BJP. So the supporters of Shri V.P. Singh are present here. Mr. V.P. Singh has played a dual role in it—as the Finance Minister of Congress

Government and also as the Prime Minister.... *(Interruptions)*

SHRI HARI KISHORE SINGH: You may enlighten us on the role played by Shri V.P. Singh.

SHRI NITISH KUMAR (Barh): Shri Buta Singh has been the Minister of Home... *(Interruptions)*

SHRI BUTA SINGH: Its span lasted upto 10 years. You do not know anything about it. Please, sit down... *(Interruptions)*

SHRI NITISH KUMAR: We want to know from you. Please tell us whatever you know.

SHRI BUTA SINGH: O.K. I will tell you. Mr. Speaker, Sir, the irregularities in regard to securities started 10 years ago and during the period of these years, once came a time when Mr. V.P. Singh was the Minister of Finance. And by a stroke of bad luck that period of ten years also includes the days of his Prime Ministership. That's why... *(Interruptions)*

SHRI NITISH KUMAR: Please tell us about the loss of amount during this period.

[English]

SHRI A. CHARLES (Trivandrum): Mr. Speaker, Sir, Mr. Nitish Kumar is in the panel of chairman, but everytime he is obstructing all the members.

[Translation]

SHRI NITISH KUMAR: If I am doing something illegal, You can bring up a proposal to expel me from the House.

[English]

You expel me from the membership of the House. You are in majority.

[English]

SHRI A. CHARLES: Sir, I am on a point of order.

MR. SPEAKER: What is your point of order?

I want to hear your point of order.

SHRI A. CHARLES: I am telling you. Sir, you have been watching him. Every time, he gets up...

MR. SPEAKER: Which rule has been violated?

If there is no point of order, you can sit down. Otherwise, Shri Buta Singh is quite capable of defending himself.

(Interruptions)

[Translation]

SHRI BUTA SINGH: Mr. Speaker, Sir, I have so far recited only history and if you want to expunge the entire role of Shri V.P. Singh from the pages of history, I have no objection. I am telling about it because Shri Indrajit Gupta, Shri Chatterjee and all other hon'ble Members have asserted that this issue is of national importance, and it should not be considered as a party issue. If you had not said it I would never have said anything. Our respected hon'ble Members are present here. Some members who were Ministers during that period and were involved in the securities scam are not present here. They had been summoned before the committee and some more people wanted

to appear before it but they were not called.

Sir, Mr. Malaviya said yesterday that he had written a letter that he might be given an opportunity to appear before the committee. He was not called. These are all substantive facts. Shri Shankaranand was called to appear. It was at the discretion of the committee. But I would like to mention this that the whole picture before this country about this scam is unpalatable and the report of this committee and the report submitted by Janakiraman Committee proved at least one thing that the whole system of our country has been administrated in such a way that the people having criminal tendencies could easily gamble with the national capital and that is what they have done.

It has also been mentioned in our holy books that influential men can do anything. No body objects to their behaviour. Goswamy Tulsidas has said:

"Samrath Ko Nahin Dosh Gosain..."

Perhaps you also might have understood it.(Interruptions)... The entire business involves money. It does not produce anything. It has no concern with any factory, industry or cloth. By affixing signatures only they can make money. The billions and billions of rupees are transferred in this manner. I have not seen it personally though I got my education in Bombay. When I used to pass by the building, it appeared to me as if mad people of the world were assembled inside.... (Interruptions)... Whenever I met any person there, he used to say that he had made transaction worth crores of rupees therein. In this way, business worth crores of rupees was being done. It is now that

[Shri Buta Singh]

our Minister of Finance has enacted some laws for them..... (*Interruptions*)..... It is for the first time that any legislation has been enacted in this regard. The Government has tried to streamline the entire system. I am saying all this with a sense of anguish because our Opposition leaders do not bother about the country though they give good pieces of advice here..... (*Interruptions*)..... Their only intention is to level some allegations against the Government.

Sir, our Prime Minister and the Leader of the House had delivered a beautiful speech in the House prior to the setting up of the Committee. I would like to mention it a little bit because we can examine the report of the Committee in the same perspective. While speaking in Parliament on 9th July, he had said that,

[*English*]

"I feel that there is a need for comprehensive enquiry through the instrument of Parliament which not only fully establishes Parliament's supremacy but also provides an effective safeguard to protect the country's interest".

"I am, therefore, 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 does remain to unveil the truth and ensure the smooth transformation of a vibrant economy in the larger interest of the nation."

[*Translation*]

In this context there are two issues.

SHRI SOMNATH CHATTERJEE
(Bolpur): Which document is this?

SHRI BUTA SINGH: These are the proceedings of the House which are taken from the speech of the Prime Minister delivered in the House and there are my notes too.

Therefore, we have to examine the report of the Committee in this context. It was the order of this House. Its terms and reference were very liberal. Mr. Speaker, Sir, I would like to thank you for your generosity because you set aside all the restrictions and empowered the Committee to call any person. I have been associated with this House for the last 20-25 years. You also gave permission to call even the Ministers. I have also been in such Committees where Ministers were asked to appear and give evidences. But they were never grilled. You would pardon me, but I have seen for the first time that our Ministers, irrespective of their party affiliations were cross examined and their replies were placed before the Committee.

I would like to say in the light of what I have read just now and what our leader has said that this report has been termed as a unanimous report. But I, with all my humility disagree with it. This is not an unanimous report..... (*Interruptions*).....

Had this report been unanimous, no documents would have been attached thereto. It would have been only the report of the Committee, proceedings of the Committee and there could have been evidences given before the Committee. But six notes have been appended to it—which are neither the part of the report of the Committee nor are proceedings of the Committee. In this way, six informal notes of those MPs, who claim themselves to be of high morals have been attached thereto. If that was the

case, they should not have signed this report in the name of maintaining its unanimity. They could have said at that time that they would not compromise in this regard.

I would like to draw the attention of the House to the press interview given by the Chairman of the Committee in respect of the report of the Committee. I express disagreement with all those MPs, who term this report as 'unanimous' or consensus report. The remark given by the chairman during press interview have been mentioned in the report.

[English]

"The JPC Chairman Shri Ram Niwas Mirdha was not hiding the truth when he admitted at a Press Conference that the report bore the scars of compromise."

MR. SPEAKER: You may not quote the report. You may refer to the report.

[Translation]

This compromise is reached by give and take..

(Interruptions)

SHRI NITISH KUMAR: Mr. Speaker, Sir, we know Hindi language but it is being said that there is a secret deal going on.....(Interruptions).

[English]

MR. SPEAKER: I think you should have the choice of words to him.

(Interruptions)

SHRI SOMNATH CHATTERJEE: It is a very good expression!

[Translation]

SHRI BUTA SINGH: Mr. Speaker, Sir, my knowledge of Hindi may not be that good but if I use Punjabi, it would be even more difficult for them. Even their soul cannot overlook the words 'the scars of compromise' and consider it as unanimous one. It might have been done through Parliamentary system. My humble request is that this note cannot be treated as a part of this report. If the hon. Members had so desired they could have circulated it themselves. It is gross injustice to append it with documents. It should not have been permitted.

SHRI GOERGE FERNANDES (Muzaffarpur): Mr. Speaker, Sir, you should give your ruling whether any note of the Member can be annexed with the unanimous report or not. I can cite from the numerous reports from library that if any Member wants to give his different view on the subject, then he has to give a note in writing.

[English]

MR. SPEAKER: Can you call it unanimous if you have a different view?

[Translation]

SHRI GEORGE FERNANDES: It is not a different view there are dozens of reports on the subject lying in the library.

SHRI BUTA SINGH: I have regards for Shri George Fernandes when the Chairman presents his report in the House, he mentions about various parts in his introduction. He has written 14 paras. There is no mention of any note appended to it therein.....(Interruptions).

[Shri Buta Singh]

The introductory note of 14 paras is silent about any note being attached to it. It is a part of the report in which the number of evidences taken by the Committee, dates of sittings held etc. are recorded.

[English]

SHRI SOMNATH CHATTERJEE:
Please ignore that Note.

[Translation]

SHRI BUTA SINGH: It cannot be ignored you wanted to give authenticity to the report by calling it an unanimous report. In fact it is not so despite the claims of BJP, the Janata Dal, the CPM or the CPI.....(Interruptions)

[English]

SHRI SOMNATH CHATTERJEE: In future, we have to think very seriously whether to participate in Joint Parliamentary Committees if the ruling party Members make such comments on the JPCs. You are casting aspersion on the whole institution. (Interruptions)

SHRI BUTA SINGH: I am not talking of my party. As a Parliamentarian of a long-standing, I am explaining my position. You cannot flout the Parliamentary practices. Shri Indrajit Gupta is sitting here. Always, we talk of very high morals, high Parliamentary practices. How can you give a go-by to all the precedents? Can you throw away such precedents? With all humility, I can say that you may have a Note of Dissent.

[Translation]

SHRI RAM KAPSE (Thane): If the Members belonging to Congress party give this type of note, you turn that also as a drama.... (Interruptions)

[English]

SHRI BUTA SINGH: As a Member of Parliament having some standing in the House, I am giving my own opinion. Let them not agree with it. This is my conviction that this cannot form an integral part of the Report. They are free to circulate it. They can circulate any opinion, any number of documents to the Members of Parliament. They can even use the good offices of the Parliament for that because there are facilities available in the House. I am not contesting that. What I am contesting is.

[Translation]

Through this an impression is being created in the country that it is also a part of the report. I would like to remove this impression.

That is why I do not consider these six documents which are attached with the report, as part of the report. All the matters were discussed and Mr. Chairman has achieved it unanimously. I would come to the report afterwards to inform you how all this has been done in order to create a conducive atmosphere. The role of opposition was not appreciable.

The hon. Prime Minister's message through this House was that we have to find out the Truth and none should be spared, but after studying this report I am sorry to say that the truth has been the victim. The newspaper columns refer to 'Bulls' and 'Bears' in Stock Exchanges. Only Dr. Manmohan Singh can explain who is 'Bull' and who is 'Bear'. These

bulls and bears play with the property of the country. But both these are missing in the report. The Committee has failed to identify any of them in its report.

SHRI SATYANARAYAN JATIYA (Ujjain): The committee has identified it.

SHRI BUTA SINGH: I would not find anyone. Bulls and Bears continued playing their cards. We had submitted that the custody of hard found property of the nation should be given in the hands of Shri Manmohan Singh, a person who is duty-bound. He is the right person to handle the money which has been saved by the poor people and poor farmer of this country while shivering in cold. But I am sorry to State that such comments are being made against him. It is also being termed as the biggest scam being done by 'Bulls' and 'Bears'. Now Mr. Vajpayee is here. He would tell who has trained them.

SHRI ATAL BIHARI VAJPAYEE (Lucknow): Mr. Speaker, Sir, I am least informed regarding the animals.

SHRI BUTA SINGH: This is what I am saying. These things should be handled by the men. The animals should be driven out. They have destroyed the country. I do not know whether Bureaucrats are Bulls and brokers have been called bears or not. I do not know these things. Your party has been linked to it. You collect the affidavits for them. (Interruptions)

[English]

MR. SPEAKER: How do I expel this part from the record?

[Translation]

SHRI BUTA SINGH: The Government had been receiving information regarding this scam since 1986 and in 1991 for the first time it exploded. It is true that

when it came to the notice of Shri Manmohan Singh in 1991, he started making arrangements in this direction and a meeting of the chairmen was called and as Pranabji was telling with the help of the Governor of Reserve Bank of India, raids were carried out in the premises of major brokers who were involved in the matter. The information was being received right from 1986 but nothing was mentioned regarding the Finance Minister who was in power in 1986, but they have made remarks about the Finance Minister in power in 1991 and 1992. If this is not an example of partiality, then, what is it?

I would only like to submit that in this report.....

[English]

SHRI SOMNATH CHATTERJEE: Sir, the wonderful part is that so many persons are saying so many things.

[Translation]

SHRI BUTA SINGH: You can give good sermons. You should change your attitude.... (Interruptions)

[English]

SHRI SOMNATH CHATTERJEE: Sir, the first speaker on behalf of the Congress Party who is a Minister, started his speech by saying that they accept this Report. His whole speech was based on the acceptance of the Report. Then, the dilution has started. Now, motives have been imputed. What is it that is going on in this House?... (Interruptions)

[Translation]

SHRI BUTA SINGH: I am not expressing my party views. I have analyzed the report myself. I am also a Parliamentarian.

SHRI SOMNATH CHATTERJEE:
All M.P.s are Parliamentarians.

[English]

Scars of compromises are there.

SHRI BUTA SINGH: The attitude of your party has already come to light. You signed on one note unanimously having one type of morality and then wrote a different note by other type of morality. Now it is not clear as to when you were honest, previously or afterwards.... (*Interruptions*)

[Translation]

SHRI NIRMAL KANTI CHATTERJEE (Dum Dum): I have a small point to make. (*Interruptions*)

I have the right to say all these things because all these things have been mentioned in the report. I am not saying it on my own. A great discussion has been made regarding the present Finance Minister. The M.P.s of all the parties praised him, this is quiet natural. This has not been done for just making false praises. They have seen the facts be it a rickshaw puller or panwala or a Parliamentarian. They have said what they have felt. They say that their morality was very high and now want to bring it down. You are making two type of statements. If you think that the report of the Committee is correct then it should be like that. I would not read the whole report but I shall read only the recommendation on page 39 and its Para 6-7, in which the comments against the Finance-Minister have been made.

MR. SPEAKER: What is it?

(*Interruptions*)

SHRI NIRMAL KANTI CHATTERJEE: As a Member of the JPC, if JPC is attacked, I think, we should also be permitted to defend the JPC. (*Interruptions*)

MR. SPEAKER: What is it?

(*Interruptions*)

[English]

SHRI NIRMAL KANTI CHATTERJEE: If the Joint Parliamentary Committee's recommendations or its activities are attacked, then, its Members should be allowed to defend the JPC. That right is there, though we do not want to participate in this debate. (*Interruptions*)

It says:

"..MOF to have asserted that the rising share prices in early 1992...."

It goes on to say:

"....MOF to have dealt in terms of relative unconcern...."

[Translation]

SHRI BUTA SINGH: I am not making allegations against any J.P.C. I am expressing my opinion regarding the Members who attached notes and then signed the report. I am not attacking the character of any member. I am just making my own submission. Previously you got it written in the name of unanimity and then wrote a note and misled the House. It is the same compromise regarding which the Chairman remarked before the Press:—

It further says:

"The Committee regret to observe that the MOF could have exercised much closer supervision.."

It also says:

"....Ministry that the solution does not lie in increasing the control of the MOF...."

[Translation]

Thus first Ministry of Finance has been mentioned and in the end the Minister of Finance has been blamed. I am fully confident that the Ministry of Finance is so big a Ministry that its staff sits in the buildings of Ministry of Agriculture as well as in the buildings of Commerce.

15.00 hrs.

The Ministry of Finance has been called the surveyor of Ministry. This means that Ministry of Finance covers all Ministries—Ministry of Agriculture, Ministry of Commerce and Ministry of Industry. My submission is that all the Ministers of Finance in the cabinet since 1986 were as much responsible as Dr. Manmohan Singh is. My humble observation in this that this is uncalled for and unwanted and this has no connection with the report. When the hon. Minister had got the opportunity to hear the case and asked to give the explanation, I think Dr. Manmohan Singh's conscience, like that of Arjun, pricked him and he has pondered over it with pure heart. He is not a politician like us. I admire him that he resigned on moral grounds. I am reminded that when Arjun's conscience did not allow him to fight against his own dear ones, Parthasarathi had advised him not to get entangled in the worldly illusions. So I cannot say anything in this respect, as he is a much more experienced and a learned man. He is himself Manmohan and Parthasarathi, then why the opposition is trying to push the country to the verge of a precipice either through their notes or demand being made during the debate. But I would like to advise Shri Vajpayee that a prudential leader like him should not get entrapped in such activities. Since long I consider that the integrity of Shri Manmohan Singh is beyond doubt and crystal clear, then why he is not being encouraged to do his duty. He had salvaged the economy of the country and proved before the World that India is strong

enough to deal with any sort of economic crisis and move towards development, I do not know why he is being compelled and influenced like this. He has a high morale and should not be criticised in this way.

Mr. Speaker, Sir, I consider that it was the duty of the committee to discover the truth but it was not done. What has been done, is written truly and honestly by Shri George in his notes. The committee made Janakiraman report as the basis of its work and further it is stated that it was a faulty report. If it was a faulty report then why was it made the basis. It should have been discarded. I could not go through the entire report, whatever little I have read, I can say that it is an indepth and minute study in financial system, stock exchange, RBI, banking system and in forward trading. I am ready to praise bureaucracy for their courage and farsightedness for providing guidance. The analysis made and the indepth study conducted are incomparable. Sir, I would like to say the hon. Minister was not able to take any effective step against the guilty for the last one and a half year because the guilty has to be brought before the committee and for it this report was a must, so the Government vested special powers in the High Court judge and constituted the committee. If there was any laxity, the Government, would not have vested special powers in the high court judge and JPC, also it would not have activated CBI and all other agencies. The Government has taken immediate action on it considering it a big crisis before the country. But instead of praising, charges are being levelled against it, Prime Minister had given an assurance in this House and the party and the Government still stand by it. Without proving anything, you are saying it about the Prime Minister and the Finance Minister, only to tell the country that this is the opinion of the Parliament. I have already expressed my views on the report of the committee and I would like to say that this can't be the opinion of the Parliament and it is only the opinion of the parties. The no-confidence

[Shri Buta Singh]

motion introduced by your party fell and after it public gave full support to Narasimha Rao Government during the elections. All the opposition parties including BJP were humbled at the nustings and even.....

PROF. RASA SINGH RAWAT (Ajmer): Please tell what has been done to that amount of Rs. One crore.

SHRI CHETAN P.S. CHAUHAN (Amroha): The security of more than 200 persons from your party was forfeited during the elections held in Uttar Pradesh.

SHRI BUTA SINGH: Leaders of the opposition parties know that these elections have settled many issues. The Prime Minister has stated in this House that he wished to change the national agenda and called upon the countrymen to humble the parties who are out to acquire power in the name of communalism and religion and result is before you. Mr. Speaker, Sir, he is talking about the one crore rupees whereas thousands of crores of rupees are involved in this scam. Action has not been taken on it even after the committee submitted its report. I request that the Government should take stern action against the persons found guilty. Ours is a Government which has been formed according to the constitutional provisions and we are governed by rules of law and there is a Parliament in the country. So, we only say that the guilty should be punished severely so that all the people in the country come to know that the persons causing damage to the property of the country are traitors and the enemies of the nation.

Mr. Speaker, Sir, I know very well. What type of people are there in different parties. However, it is not the time to dwell on it. Now not going into details, I will only say that I am sorry that I cannot

even praise this committee report. I have revealed my own views on this committee report. These are not the views of my party. I would like to tell the Government especially the Finance Minister that an effective authority should be established in the country for the financial system, share market and the stock exchange. It can be given any name. We can call it a regulator as has been mentioned in the report, or 'Lokpal' as suggested by Shri Vajpayee, but it will not be able to do full justice to it. Specially trained persons should be appointed for it. Lokpal can be a general authority, but for economic offences like FERA, income tax and other tax evasions, black marketing and black money, there should be a separate special authority which could work efficiently, irrespective of the Government or party in power. Its powers should be equivalent to Supreme Court. A judge from the Supreme Court can be appointed for it. Its decision should be supreme and no appeal should be made against it, so that economic offences prevailing in the country could be removed. Law and order situation and banking system in the country should be updated. Law in our country has several shortcomings. I would like to cite an example in this regard.

One of my friends, who was living in Canada returned to his village after some years. There was a post office at a distance of 6-7 kilometres from his village where he had deposited money before leaving for Canada. Several postmasters had changed during his stay abroad. He thought for withdrawal of all the money and went to post office with the passbook to withdraw the entire amount. The postmaster inquired as to why he was withdrawing the whole amount. When he said that he was not living here then the postmaster refused to pay the money. My friend said that according to the law he can withdraw his money at any time. Then the Postmaster gave a form. He filled up the form and signed then the postmaster refused to recognize his signature and even after showing the passport and

passbook, the post master asked him to bring a person who might be knowing both the firm and the postmaster. He said if he went to village, he would be wasting one day and he was not sure to be able to get such a person, but the postmaster refused to do anything. When he was going back the postmaster said that he could tell about such a person and pointed towards a vendor who was selling "Chhole Bhature." My friend said that he did not know him. The Postmaster told him to ask the vendor. Then he went to the vendor and told that he wanted to withdraw money from the post office. The vendor asked for fifty rupees and on giving the amount the vendor counter-signed and my friend could be able to withdraw his money.

It is a small example. Several Harshad Mehtas, Bhupen Dalals and their associates have withdrawn thousands of millions of rupees from State Bank and other foreign banks in the same way by showing the letter of the Government. Was there no law in the country to check them, so I consider that there are lacunae in it. Legal provisions should be updated in such a manner as these should be held responsible under the Law and the Constitution. There is a need for constant monitoring of economic offenders by an efficient authority which could take immediate action for committing such crimes independently. Orders of the Finance Minister should not be required for it. This authority should be vested with power to control and punish such offenders.

I have expressed my views here. I wanted to say these things before the hon. Finance Minister. I will not say anything further as several hon. members have already expressed their views on it. Our many ministers who are our colleagues are also sitting here. One hon. Minister said that certain, papers were delayed by one month. But this scam had been going on for 10 years in which millions of rupees went down the drain. Such a big accusation was levelled against you

for a minor thing. That too could not be proved. There is not a single evidence regarding any deal alleged to have been concluded by Minister's order or at his behest, in this duration. It is a glaring example of injustice. As I said before, if Mr. Shankaranand is responsible for this, so was Mr. Malviya before him. He too had followed the similar procedure and he was not even given a chance to explain his position in this regard. Of course, he gave his clarification to the Chairman of the concerned Committee as well as before the committee itself but he did not get more opportunity to give more clarification. In my view there is no other reason to give importance to it except this that the whole banking system should be overhauled keeping in view the facts mentioned and the charges that have been levelled against the Government, in this report and Janakiraman Report should also be considered in this regard. The culprits should be punished. And in addition, if some people of the opposition want to derive political mileage out of it, this House as well as the people of this country will condemn them. With these words I conclude my speech.

15.15 hrs.

PERSONAL EXPLANATION BY MINISTER

**Clarifying certain references made
about him in the Report of the Joint
Parliamentary Committee to enquire
into irregularities in Security and
banking transactions**

[English]

THE MINISTER OF STATE IN THE
MINISTRY OF RURAL DEVELOPMENT
(DEPARTMENT OF RURAL DEVELOP-
MENT) (SHRI RAMESHWAR THAKUR):
Hon. Speaker Sir, I am grateful to you for
having given me the opportunity to offer

[Shri Rameshwar Thakur]

[English]

my personal explanation. The matter arose, out of a letter, which the then Member (Investigation), CBDT wrote to the Chairman, JPC on 7.7.93. The Chairman called for my comments, through his letter dated 13.7.1993. I furnished my reply on 20.7.1993 and dealt with all the points in detail.

I would like to briefly reiterate the facts, which I had mentioned to the Committee in my reply dated 20.7.93, as it seems to me that the position clearly explained by me, escaped due consideration, as the reasons given by me, are not fully reflected in the Committee's report.

[Translation]

SHRI ATAL BIHARI VAJPAYEE (Lucknow): Mr. Speaker, Sir, I want a clarification. Is Mr. Thakur giving a personal clarification or taking part in the discussion?

SHRI RAMESHWAR THAKUR: Personal explanation.

SHRI ATAL BIHARI VAJPAYEE: He is a member of other House. He has given a clarification there. We have read that. We are satisfied with that. There is now no need to give more clarification here.

SHRI BUTA SINGH (Jalore): Mr. Speaker, Sir, Shri Vajpayee is satisfied with his personal clarification. We are also satisfied with it. There is nothing in it.

MR. SPEAKER: No, earlier he had said that he wanted to give personal explanation.

SHRI RAMESHWAR THAKUR: Since I have already made request, I am completing this.

I may be permitted to add that after submission of my reply on 20.7.1993, no further queries were made by the JPC nor was I required to personally explain any details by the Committee and I naturally presumed that my reply has been found satisfactory by the Committee.

The file in question was actually put up to me only on 6.5.1992 and was cleared by me the same day and marked to FM.

I had also pointed out that, during the period—8.4.1992 to 5.5.1992, I was largely away on tours to Nagpur to give a valedictory address at National Academy of Direct Taxes, Paunar Ashram, Wardha, Madras, Tirupathi (AICC Session), Agra and Bombay as Minister-in-Waiting to the President of Turkeministan and Patna and I was also preoccupied with Parliamentary work during its Budget Session and was engaged in urgent official duties including discussions with three foreign delegations and three-day annual conference of Chief Commissioners of Income Tax etc. I may also add here that the file was not marked 'urgent' or 'immediate' or 'important' or 'secret' or 'confidential' etc., and did not seek any decision, approval, instructions or orders. It was, therefore, given a lower priority by the office and put up to me only on 6.5.1992. There was not even a single enquiry or reminder about this note from Member (Investigation) either to me or to my office.

The said note dated 8.4.1992 of Member (Investigation) did not constitute a file by itself but was subjoined to a monthly routine report titled "Highlights of Search and Seizure Operations during the month of March, 1992" stating that a total of 908 searches were conducted in the month of March, 1992 as compared to 912 in February, 1992 and contained a summary of about 28 important raids in 13 categories including the raid on HSM as one of the routine items.

These monthly reports were being submitted every month by way of information on the action being taken by the Investigation Wing of CBDT. The practice of submitting these monthly reports prevailed in the Ministry since 1985 except for temporary stoppage during the period February 1991 to October 1991 and recommenced at my instance after I took over as MOS(R). No action was required to be taken on these files unless specifically sought. If an individual action was to be taken, a separate file was opened for initedure such routine files do not normally reach the Minister or his table directly or immediately.

Let me state, therefore, that neither the monthly report nor the note added thereto by Member (Investigation) were prepared with a view to seeking nor sought any specific permission, guidance or directive from me. Whatever follow up action was required to be taken in pursuance of search and seizure operations mentioned in the report had to be done as per the established practice at the level of CBDT which is an independent authority to undertake the same. The Member (Investigation) required no approval or clearance from the Ministry of Finance to perform his designated functions. The report did not suggest even remotely that any search or seizure operations had been kept in abeyance till the report was perused by Finance Secretary, Minister of State in the Department of Revenue or the Finance Minister. The fact is that nothing was done and no action taken on this file even after the same was seen and returned by the Finance Minister with his remarks.

Wherever individual action in major/significant cases like HSM Group was to be taken, separate files were opened. Each of such files was cleared by me without any delay.

I would like to state before the hon. Members that in my said reply to the Chairman, JPC, I had also pointed out

that significantly, even in the note of Member (Investigation) of 4.5.92 (which was a file solely on searches on Harshad Mehta Group), there was no mention or suggestion that any action against HSM had been held up because of the file containing his said note dated 8.4.92 having not been cleared. He and his officers were free to take and were taking necessary action without any impediments. This policy of allowing the officers a free hand had been consistently reiterated by me, as is also acknowledged by the JPC itself vide para. 17.135 (page 248) of its report. I quote:

"The Minister of State for Finance recorded the following note in this connection on 30.9.92: "It has been the Government's policy to give a free hand to the concerned authorities in charge of different wings/agencies connected with investigation etc. However, they must ensure coordinated action and take effective and prompt steps for it."

Hon. Members, the official records will amply bear out that the Investigation Wing of the CBDT acquired a new impetus after I took over as Minister of State in the Department of Revenue in June, 1991. The search and seizure operations which were stopped in February, 1991 owing to refusal of staff to cooperate and participate in search, because of certain violent incidents against the officials on search duties in Gwalior and other places had taken place, were restored. It was at my initiative and guidance that a scheme of compensation for officials engaged on search duties was finalised after prolonged negotiations, and the search operations were recommenced in November, 1991 and continued vigorously thereafter. I would also point out in all humility that the revenue collection touched a record level during my tenure.

I had also pointed out in my said reply and would like to reiterate it categorically before the hon. Members that

[Shri Rameshwar Thakur]

none of the files relating exclusively to Harshad Mehta and his Group or seeking any action from me were held up at any time and all of them were cleared without any delay.

Hon. Members, in summing up, I would like to say that the sole ground discernible from the Committee's Report for their expressing 'unhappiness' happens to be the delay of 27 days in transmitting to the Finance Minister the "routine report of Income Tax raids for information only". Besides categorically stating, as I have already done, that actually there was no delay at my level and there could be no motive on my part and none has been mentioned by the Committee either—for any delay, I would like to specially emphasise before the august House that in any event the alleged delay did not result in any investigation being hampered or action being held up at any level. Thus, it is absolutely clear that the said file was actually a routine monthly report submitted for information only and in fact no further action was taken on this file even after the same was seen by the Finance Minister and returned with his remarks to the Finance Secretary who, in turn, marked it to the Chairman, CBDT and the Chairman marked it to Member (Investigation) and thereafter there was no movement or further action on this file.

In order to allay any further doubt, I am placing the relevant part of my reply to Chairman, JPC dated 20.7.93 on the Table of this House with the permission of the Chair.

SHRI HARI KISHORE SINGH (Sheohar): Sir, I am on a point of order. In fairness to the members of the JPC and to the House, all the files referred to by the Rural Development Minister should be put before you and before the House.

MR. SPEAKER: Under what rule, because it is a point of order?

SHRI HARI KISHORE SINGH: Sir, it is a point of submission.

MR. SPEAKER: I will apply my mind.

SHRI HARI KISHORE SINGH: He should be fair to the members of the JPC and to this House. When he is trying to take us into confidence then we must have the papers before us.

SHRI CHETAN P.S. CHAUHAN (Amroha): Sir, is every Minister, whose name is in the report, going to come here and give explanation like this?

15.26 hrs.

DISCUSSION UNDER RULE 193

Report of the Joint Committee to enquire into irregularities in securities and Banking Transactions — Contd.

[English]

SHRI RUPCHAND PAL (Hooghly): Mr. Speaker Sir, after 18 months of hard and strenuous labour the Report has been presented and the country will be indebted to the Chairman and Members of the JPC for the service rendered to the nation.

As has been tried to be made out by Shri Buta Singh that it is not a unanimous report, I do strongly believe the report as unanimous because after page 262, that is, the main part of the report, the signature of the Chairman has been put and that is considered to be the substance, the main report itself.

The report has unrevealed many things. It has revealed the magnitude, the dimension, the ramifications of the scam. It is all-pervasive. The Ministry of Finance, the other two economic Ministries, the involvement from RBI to financial institutions, to foreign banks, to PSUs, to nationalised banks, to SEBI, to stock market, to CBI, to large industrial houses, to Enforcement, etc. is all pervasive. There have been scars of compromise, of course, the JPC has suffered from lack of expertise, infrastructure, as also lack of cooperation from several witnesses, the CBI and from other agencies.

Sir, I do not know how many, as witnesses, at the time of deposition suffered from the Solanki syndrome, I mean amnesia. I believe, it has happened during and deposition by a large number of witnesses. I do believe that because of this limitation the JPC could not just unravel the destination and the end use of money, as also the quantum of money loss, but the most telling commentary on the state of affairs in almost all sections and all sectors of economic administration has been made by JPC. Can it be simply described as system failure? What is written there in the report itself? Pages after pages, paragraphs after paragraphs, it has been written and commented that it is deliberate and criminal. I am citing only a few paragraphs because of limited time.

In para 2.7 it says:

"The scam is basically a deliberate and criminal misuse of public funds."

It further says, "what is apparent is systematic and deliberate abuse of the system by unscrupulous elements."

Again at page 309, paragraph 16.16:

"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 behaviour as unreasonable, the MOF did not act decisively in the matter."

Is not the doctor responsible if after diagnosis, the doctor finds that the patient is seriously ill and still he does not prescribe the medicine. What sort of doctor he is if he is not prescribing proper medicine knowing fully well how seriously ill the patient is? Not only the MOF but also the RBI, the nationalised banks, the foreign banks, the PSUs, SEBI, CBI, Enforcement Directorate, stock brokers, all deliberately, planfully, flouted the rules and the guidelines. How could it happen? It could happen because a signal was given to all that liberalisation means liberty—you can forget the whole rules, you can do whatever you like, you can bid goodbye to whatever healthy conventions and practices that have been there. The signal was 'loot and let others loot'. That was the message from the Messiahs of new reforms. The operators in the scam game played accordingly, deliberately, planfully, and knowingly. Now it has been said that it was the system failure and the system is being accused. What was the view of the JPC about this plea of system failure? What was the opinion of the JPC regarding that? It says:

"Whatever may be the view about the system failure, the Committee will ask that the guilty must be punished."

Sir, even after listening to the system failure argument, the JPC has said that the responsibility and the accountability of the Finance Minister to Parlia-

[Shri Rupchand Pal]

ment cannot be denied. Is the concept of responsibility and accountability in the parliamentary procedure given a decent burial? What will happen to this Parliament? What will happen to our parliamentary democracy? And henceforth who will care for this Parliament? Every lapse will be taken as system failure. Only the weaker sections, the downtrodden, the poor millions, will be asked to abide by the laws of the land.

Sir, the JPC has given a very great warning about the failure of the State. It has been commented as under:

"Distressing lack of fibre in the apparatus of governance is all pervasive. Such transferring of responsibility if it is allowed can ultimately debilitate the State."

Have the Treasury Benches taken any lesson? They are debilitating the State. There is lack of fibre in the whole apparatus of governance. What more scathing comments can be made by any Committee in its Report than this? Sir, this Report is about the consequences of the mega scam, both financial and moral. Huge losses had been suffered by the small investors, by the banks, by the Government, by many people, by many agencies of the Government.

MR. SPEAKER: Please do not repeat these points.

SHRI RUPCHAND PAL: I am not repeating the points.

MR. SPEAKER: These points have already been made by others.

SHRI RUPCHAND PAL: If a system be devoid as a moral cushion of commonsense, application of right and wrong and the sense of public duty, particularly when entrusted with public funds, then it cannot work, the system will not work. The JPC had made a large number of recommendations. We want to be assured by the Government that they will implement these recommendations. But a doubt has arisen now. The scam unfolded itself gradually as days went. So also the reaction of the Government is unfloding itself. In the beginning it was only systems failure, it was only withdrawal symptoms. Ultimately it is being seen, they are questioning whether the Committee is authorised at all to recommend such things; They are asking whether it is unanimous at all; and they are calling the report a *mili juli* or drama or something like that. The cat is peeping from the bag. I do not know when the cat will come out of the bag because this Government does not seem to be inclined to implement the valuable recommendations made in this Report.

MR. SPEAKER: Kindly conclude.

SHRI RUPCHAND PAL: I will conclude within two minutes.

Because of severe limitations the Committee could not go into many important things, *i.e.*, Gold Star affairs, coupon rate, violation of FERA, Amrifesty scheme and how the black money because of these schemes has gone and then come back to India through different immunity schemes.

The nexus between industrial houses, brokers and bureaucrats is yet to be revealed. What has been revealed is only the tip of the ice berg. The ice berg is yet to be seen.

The nation wants that this Government should do the needful overhauling and punish all the guilty.

Lastly, I will appeal to the House, particularly to the Treasury Benches, not to take it as a partisan question. It is the future of the nation. What happened in the name of scam is not only ghastly but it also affects the whole fabric of our polity. The nation is looking at us, the world is looking at us. Let us be united and save the country from the brink of total disaster. Let us unitedly uphold the values for which thousands and thousands of our countrymen have sacrificed their lives during the freedom struggle and even afterwards. Let us be united to save the nation. Let it not be taken as a partisan question.

With these few words, I conclude with the hope that this Government will just respond positively and not negatively.

15.37 1/2 hrs.

WELCOME TO LORD
CHANCELLOR OF U.K.

[English]

MR. SPEAKER: Hon. Members, I have to make an announcement.

On my own behalf and on behalf of the Hon'ble Members of the House, I have great pleasure in welcoming Rt. Hon'ble Lord Mackay of Clashfern, Lord

Chancellor of United Kingdom and Lady Mackay who are on a visit to India as our honoured guests.

They arrived Delhi on 29 December, 1993 evening. They are now seated in the special box. We wish them a happy and fruitful stay in our country. Through them we convey our greetings and best wishes to Her Majesty the Queen, the Prime Minister, the Parliament, the Government and the friendly people of the United Kingdom.

15.38 1/2 hrs.

DISCUSSION UNDER RULE 193

**Report of the Joint Committee to
enquire into Irregularities in Securities
and Banking Transactions— Contd.**

[English]

SHRI PRITHVIRAJ D. CHAVAN (Karad): Mr. Speaker, Sir, the Joint Parliamentary Committee enquiring into the irregularities in the securities and banking transactions was set up to find out the 'when', 'how', 'why', 'where', and 'who' of the scam. When did it start? How was it done? Why did it happen? Who did it? Where did the money go?

The Janakiraman Committee answered some questions. The JPC has answered the remaining questions. However, both could not find where the money went. A subsequent Committee will do that.

[Shri Prithviraj D. Chavan]

The answer to 'when' is important in fixing responsibility and I will come to it shortly. But, it is the 'why' part of it that I am most concerned about. Why did it happen in spite of checks and balances, inspections, audits, Annual Reviews, weekly abstracts, Government directors—the whole edifice of regulatory mechanism? And further what is the guarantee that it will not happen again?

Many speakers from this side have very ably shown that the scam was first identified in mid—80s. Augustine Curias' report, which unfortunately was not heeded, makes it clear. The irregularities took place during the tenure of four Governments including the present one.

It is to the credit of this Government and the Ministry of Finance under the leadership of Dr. Manmohan Singh that the scam that went undetected for 7–8 long years was finally discovered. It was stopped, people were arrested and are being prosecuted—something which five former Finance Ministers could not do. I am surprised that rather than being grateful to him, we want his resignation. If Dr. Manmohan Singh is to be held responsible, then I am afraid, we will have to hold all those who held office since 1986 also responsible.

I will just point out 2-3 examples because Prof. Kapse mentioned them. I will not take much time.

I would like to ask a question : Is it

not a fact that Shri Shantilal Patel, a former Member of Parliament wrote two letters to the then Finance Minister Shri Madhu Dandavate on 1st and 9th of October, 1990 highlighting the specific involvement of Bank of Karad in the illegal transactions involving L&T and Reliance shares? This is stated very clearly in paragraph 12.15 of the report.

Secondly, Prof. Kapse also mentioned about Shri Pherwani. He was removed from the U.T.I. Board; but days later he was appointed to the chairmanship of another financial company. The National Housing Bank was constituted in 1988; but nobody constituted its Board. Who appointed Shri Pherwani to the N.H.B.? These questions need answer.

Thirdly and lastly, I will take the case of Shri Ratnakar which was also mentioned by Prof. Kapse. C.B.I. had found irregularities in his case in December, 1988. But nothing happened during the next three years. This person went on to found the infamous FFSL. No action was taken from 1988 to 1992.

There are many examples one can go on and on. But the fact remains that it is the responsibility not only of this Government but many Governments before that and we will have to hold all of them responsible.

Over the last 45 years, the task of governance has become very complex.

The volume of transactions in the economy has increased manifold. Our system, which has remained antiquated, is bursting at the seams. The moment Dr. Manmohan Singh took over, he set out to reform the system, modernise it and discipline the system. But first there was the fire-fighting operation of the balance of payments crisis. The scam was a very complex affair. It was not easy to detect. If it could not be stopped during previous six years, how do you expect Dr. Manmohan Singh to stop it within a matter of days?

The alleged volatility of stock market should have been seen as a sign that something was wrong. That is the main contention of the report. We have to see the casual relationship between the transactions in the banking sector which are monitored by R.B.I. That was the cause. What was the effect? The effect was overheating of the stock market which was controlled by S.E.B.I.

Now, only after the S.E.B.I. was empowered by Dr. Manmohan Singh that S.E.B.I. started looking at the stock market seriously, regulating brokers, coordinating with R.B.I., looking at transactions of particular brokers like Harshad Mehta and only during this interaction that the real culprits were found out and the scam surfaced.

I will now come to paragraph 16.8, the most contentious paragraph which states that the Ministry of Finance has failed in five areas. I will not recount those five areas. I quote from it:

"Given the various methods of information and control that were available to them..."

What are these methods of information and control? What is the relationship between the Finance Minister and

the Ministry of Finance and R.B.I. and Banks which it is to supervise? The Banking Regulation Act of 1949 gave an exclusive responsibility for regulation, supervision and control of the entire banking system including public, private and foreign banks to the R.B.I. The R.B.I., constituted under the R.B.I. Act, is an independent statutory authority. There is no separate mechanism with the Government to supervise the functioning of R.B.I. as has been very clearly brought out in paragraph 16.3.

I quote:

"Between RBI and the Government, there is intense consultation on all matters of policy between the Governor of the RBI and the MOF. Policy matters are discussed and there is a continuous interaction both in writing and as well as orally."

Further, para 16.5 says that there is regular flow of information between RBI and MOF. What is the kind of information? It consists of annual report of the RBI containing balance sheets of the entire banking system, weekly statement of aggregate advances and deposits, Annual Financial Review of public sector banks. This is the type of communication which takes place between the RBI and the MOF. How does the Ministry of Finance interact with RBI? It interacts through the Banking Division. This interaction is limited as described in para 16.6, limited to appointments, monitoring developmental role, watching priority sector credits, to undertake review of private sector banks and servicing of Parliament. That is what the Banking Division does.

If you look at the JPC para 16.8, while pointing out MOF failures, it refers to various methods of information and

[Shri Prithviraj D. Chavan]

controls which are limited to annual reports, weekly aggregates and balance sheets, appointments and credit watch and servicing Parliament. What kind of control can be exercised with this kind of information? How can one expect the Finance Minister sitting in the North Block office to detect a rogue bank entering into an illegal transaction with a crooked broker.

JPC has put in tremendous efforts— 96 meetings over a period of 18 months. We congratulate them. But JPC was not a judicial tribunal and its report is not a judicial pronouncement. JPC was a political body. Perhaps the enormity of the crime, experience of the previous such JPC weighed heavily on the minds of the Members to work for a contrived unanimity. Perhaps unanimity became an end in itself, resulting in "scars of compromise". It is in this light that JPC's remarks on Constitutional jurisprudence, ministerial accountability and constructive responsibility, will have to be considered in all seriousness. The House will sooner or later have to come to terms on the delicate differences between the Ministry and the Minister. Using this term interchangeably would be dangerous, as hon. Shri Buta Singh has said. We will also have to differentiate between the Commission of Inquiry and the parliamentary committee. I wish that the Opposition Leaders and the legal luminaries who spoke before could have contributed to this debate. Unfortunately they were pre-occupied with running down the Government's economic policy.

Sir, if the Minister is called upon to resign every time when C. & A.G. audit or COPU report makes some adverse comments about a junior officer, or if a small rail or air accident occurs, I am afraid the

parliamentary democracy cannot function. No Minister will allow the public sector undertakings to function independently. The autonomy will not be there. The Congress Party and the Prime Minister are serious about scam investigations. It is clear, we accepted the JPC demand though we need not have. We allowed the JPC to submit a unanimous report which necessarily meant compromises. We could have asked the Congress Members to vote out unacceptable points.

SHRI SOMNATH CHATTERJEE (Bolapur): To what extent, Parliament will be denigrated by these Congress Members? There is a limit to this. He says, they have allowed the JPC to submit a unanimous report. What does it mean?

This is nothing but denigrating Parliament.

SHRI PRITHVIRAJ D. CHAVAN: We are not denigrated. What I meant was, we could have issued a whip to the Members.

SHRI SOMNATH CHATTERJEE: That would be a breach of privilege.

SHRI PRITHVIRAJ D. CHAVAN: Sir, we are more serious about the credibility of our democratic institutions about reforming and modernising our antiquated financial sector, the regulatory mechanism. We are very keen to project a new image of a mature Indian democracy and a robust economy, capable of withstanding shocks. Therefore, Sir, I come back to my original concern.

Can it happen again? Will the resignation of Dr. Manmohan Singh, the one man who has found out the Scam, guarantee that such a thing will never happen again?

With all humility, I request Dr. Manmohan Singh and the Opposition, not to press the resignation.

SHRI GUMAN MAL LODHA (Pali): Hon. Speaker, Sir, we have been debating the JPC report for two days now and almost all hon. Members of the House except one have appreciated and felicitated the hon. Chairman and Members of the Committee for this wonderful, marvellous and excellent work which they (Mr. Mirdha and 29 other MPs) have done in making massive inquiry and research and finding out the truth and culprits and the major participants and lapses in the security scam.

It is unfortunate that Hon'ble Member from Jalore even on this score, has dissented and tried to condemn the report, even to the extent of saying that it was under pressure. It was on account of some sort of what he called *Mili Bagat*—some words which, according to me, are in very bad taste and should not have been used.

MR. SPEAKER: I think it is not necessary to say all those things because as far as my understanding and the understanding of the House is concerned, that was not the connotation.

SHRI GUMAN MAL LODHA: These were the actual words used.

MR. SPEAKER: No please.

SHRI GUMAN MAL LODHA: Your Honour was hearing all these words and did not expunge them at that time.

MR. SPEAKER: My ruling is that the connotation that is put on what Shri Buta Singhji said is not that and you should not repeat it again.

SHRI GUMAN MAL LODHA: I am concerned at the manner in which the report was treated and condemned by him. I do not know whether he did it to settle some old scores with the Chairman, Shri Mirdha or on account of his trying to exhibit that he is more pious than the POPE himself. But, in fact, there is unanimity in the House that this report is a unanimous commendable report. I would not go into the necessities on that point. But I submit that the fact that some notes have been appended thereto is irrelevant for the purpose. The basic fact remains that the hon. Members of the Treasury Benches have agreed and signed the main report of 322 pages yet the unanimity of the report is being challenged. Shri Mani Shankar Aiyar, Shri Kamal Chaudhary, Shri Murli Deora, Shri M.O.H. Farooq, Shri Sriballav Panigrahi, Shri Shraavan Kumar Patel, Shri S.S. Ahluwalia, Shri Jagesh Desai, Shri H. Hanumanthappa and Shri Ram Naresh Yadav, are all Congress (I) signatories to the principal report. They have given a small note but not on the principal points and on the main points which have been adjudicated by the Committee.

So, I would submit that on the question of constitutional responsibility of the hon. Minister, it is not a question of Finance Minister or Petroleum Minister or Railway Minister or the hon. Prime Minister or the Minister for Power or others only. It is a question as a whole. The Minister has the responsibility for the omissions and commissions which are major ones and which have resulted in defrauding the poor people of their whole life's savings, gratuity, Provident Funds and Pension, the small savings, the money of the widows, the money of the farmers, the labourers, the petty shopkeepers all that money was pooled into the Stock Exchanges on account of the appreciation which was artificially created by Scam master Harshad Mehta and oth-

[Shri Guman Mal Lodha]

ers. Shri Chidambaram forgot them and had crocodile tears for poverty, which they created for 40 years. It is that concern that we have got. On that point, I would submit that the constitutional responsibility of the Ministers as a whole—I would not point out one or two or choose a single one—cannot be denied. This is what all these Constitution makers have said. All these founding fathers have said so in so many terms. It is very clear.

The sole defence which is sought to be made here by the hon. Members on the Treasury Benches one after the other is that this was the failure of the system. Did the "ROBOTS" managed the system? I may ask, Sir. They said that there were administrative lapses. All that they have said is that constitutional or moral liability can be fastened; there was no moral turpitude; there was no culpable omission or commission. I would like to say that the report has taken this defence into consideration and subjected it. This defence of the hon. Minister finds a place in so many words in this Report itself, where his written reply is quoted.

Sir, the Committee, after application of its mind to all relevant things, to the relevant parliamentary system, the constitutional position, has said in so many words which are very important. I would like to seek your permission to mention only paras 16.61 to 16.63 which are relevant to this point and that clinches the issue as a whole because all the speeches which have been made by Chidambaram, Khurshid Salman, Bansal, Mukherjee, etc. the hon. Members on the Treasury Benches have been harping on this point. Some of them even came to the Finance Minister's defence without reading the adjudication and findings of the Commit-

tee. I would like to read the relevant portion which says:

Para 16.61 (a) to (e)

- (f) "The Committee strongly feel that in view of their conduct and activities in the Scam, the working of foreign banks has to be strictly supervised. In a way, they have been the initiators of the Scam as well as the major players."

Finally, the finding is:

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

It is not the Ministry, as the hon. Member Shri Buta Singh was saying that the Ministry is being rapped for the Minister. The Committee has taken pains to destroy the distinction between the Ministry and the Minister. They said that this distinction which is sought to be drawn by the Finance Minister cannot be upheld. Now, I quote para 16.62 which says:

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

I am now quoting the written reply of the Finance Minister which has been echoed virtually in a form of a chorus by all the Members who have spoken from the Treasury Benches. Para 16.62 says:

"As regards the functions of the FM, 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 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." (*emphasis added*)

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

I do not say that these findings of the Joint Committee are binding on the House. It is for the august House to accept them or to challenge them. But giving the same arguments, those very arguments, those very submissions which were made way back... and rejected, is only putting old wine in new bottle. (*Interruptions*)

15.59 hrs

SHRI AYUB KHAN (Jhunjhunu): This is not a finding. This is an opinion.

[SHRI PETER G. MARBANIANG *in the Chair*.]

This very defence has been put forth by four of the hon. Members yesterday. The finding of the Committee is very important. It says:

SHRI GUMAN MAL LODHA: This is not binding. I am saying that this is not binding. It is for you to decide. The hon. Prime Minister can stand up and say that he wants to throw it in the dustbin. If he wants to degrade the parliamentary system, if he wants to undo all the precedents of the parliamentary democracy, if he wants to burn the Constitution under which we are functioning, then it is for him to do so. Nobody can stop him. Who can stop him? If he wants to have the suicide of the parliamentary system, it is for him to do so. But nothing of that sort would be permissible, by people 80 crore people.

[Page 223 Para 16.62]

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

16.00 hrs.

With your permission, I would repeat this finding of the Committee because this is the back-bone, this is the bedrock, this is the fundamental finding according to which all the Ministers are responsible irrespective of whether their liability is less or more. This finding is again substantiated further in para 16.63. It says:

I would say that way back at the time when the Mundra Scandal came to surface in fifties, a similar situation had arisen and the Chagla Commission was appointed to enquire into it. All these submissions which had been made during the 18 last hours of yesterday and today saying that the Finance Minister is honest, that he is innocent, that his integrity is not at all questionable, that he had no direct knowledge, they were all made then also, in favour of F.M., Shri T.T.K; Even the tallest politician of all times. Pandit Jawaharlal Nehru wrote a letter to Shri TTK. I would quote a portion from the letter

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

[Shri Guman Mal Lodha]

which was written by the then prime Minister Pandit Jawaharlal Nehru to Shri TTK. It says:

"So far as you are concerned, I am most convinced that your part in the matter was the smallest and that you did not even know what was done."

Now this is the letter which was written by Pandit Jawaharlal Nehru. In spite of that when the matter came in the Parliament, the august House, it was said that the Chagla Commission's Report directly exposes about the Mundra Scandal in which only one crore and a few lakhs worth of shares of Mundra Company were purchased by the Life Insurance Corporation. But that was in a very small scale. It was Shri Feroz Gandhi's speech. I may not re-produce it to save the time of the House. I would like to say that that Scandal resulted in the resignation of Shri TTK, who also depended himself on the ground of his economic policies having angered "man eaters" vested interest. "Shri TTK said"

(Page 293/18-2-58).

"I can say as first victim to those interested in the furtherance and fulfilment of past economic policies is that they should realise that the man eater is at large."

I would also like to read what Nehruji said in Parliament. When these questions were raised, the same old pretext, the same old excuse, the same old apology, the same old 'alibi' was raised at that time because the accused in the criminal jurisprudence mostly take a plea or 'alibi' whenever they are caught.

The same diversion to economic policies. As Khursid called "night mare" of opposition, TTK called it "MANEATER" Pandit Nehruji said, when there are questions relating to ministerial responsibilities and like questions," I am quoting from the Parliamentary Reports of the 19th February, 1958, page 1508.

"They are important. Of course, they are hardly within the purview of the Inquiry Commission; they are really for Parliament to determine and usually such questions are matters of convention. I do not propose to go into this matter here except to say that we accept the broad principle of ministerial responsibility. But to say that the Minister is always responsible for all the actions of the officers working under him may take this much too far. May I say that this inquiry had obviously nothing to do with the broad principles of the policy of the Government."

Sir, kindly note what Pandit Nehru said in his letter and his defence in Parliament. Here, our present Prime Minister has not chosen to come and defend any of the Ministers. He has not chosen to be present here for the purpose of listening to the onslaught or the criticism or the points which are being made from this side. But, at that time, Pandit Nehru attended to it. *(Interruptions).*

SHRI MRUTYUNJAYA NAYAK (Phulbani): You are repeating it. Yesterday, Shri Vajpayee has already said this. He had made a reference to Panditji also while the Prime Minister was present. You are only repeating it.

SHRI GUMAN MAL LODHA: If some point has to be emphasised, the repetition also becomes essential. Five of

the speakers from the Treasury Benches did nothing else except saying that Shri Manmohan Singh is a holy cow. I do not dispute that, but even if he is a holy cow.....

MR. CHAIRMAN: Please do not use such words.

SHRI GUMAN MAL LODHA: Holy cow is a good word. If you want to expunge it, I have got no problem. This is what it comes to.

MR. CHAIRMAN: You are doing very well. Please continue with your arguments.

SHRI GUMAN MAL LODHA: Sir, I was only commenting; this morning, Shri Ram Vilas Paswan raised a point that the "neel gai" destroyed the entire agricultural produce of the farmers. If at all he is a cow is there, it is not a holy cow, but it is a *neel gai*, which is called as 'ROSE', which has destroyed the entire agricultural produce of the farmers by DUNKEL patents and robbed the poor by scam.

Sir, I want to refer to the House of Commons' debate about ministerial responsibility. I would not do better than quoting to save the time. This House of Commons' debate was dated 20th July, 1954. There, Sir, a similar situation arose.

MR. CHAIRMAN: Please give the gist only and do not read the whole thing.

SHRI GUMAN MAL LODHA: Only four or five sentences are relevant. A similar situation arose there and Sir T. Dugdale was the concerned Minister for Agriculture who had to resign on account of some omissions or commissions of his department. A similar point was raised that he was indispensable, that he was required for their minister and that there

was nobody to replace him. Sir, I would read a few lines from page 1192.

"The Government have given further consideration to the future of the land at Crichel Down. I have already explained to the House how I reached the decision in 1952 that, on agricultural grounds and with proper regard for financial considerations, the right course was to equip the land as one farm."

Now, I would not go into the details. And ultimately in the last paragraph, he says "I have nearly finished." He gave a long explanation as Shri Pameshwar Thakur has given or as our hon. Finance Minister or Petroleum Minister may give now. Then he says:

"I have nearly finished. I have tried to accomplish my duty to the House, which was to give an accurate account of the history of the Crichel Down case. I have told the House of the action which has been taken, and which will be taken, in the design to make a recurrence of the present case impossible.

That is precisely why we are saying that steps should be taken. Then he says:

"I have announced changes which the Government intend to make in land transaction procedure. I have told the House of the offer of resale of the Crichel Down land under certain conditions. I have no regrets at having ordered a public inquiry, for I am certain that good will come out of it."

Even before the inquiry started, he says this:

"....I have been able to get well un-

[Shri Guman Mal Lodha]

der way the action necessary following Sir Andrew Clark's Report.

Having now had this opportunity of rendering account to Parliament of the actions which I thought fit to take,..."

Now, the golden words are coming:

"...which I thought fit to take, I have, as the Minister responsible during this period, tendered my resignation to the Prime Minister, who is submitting it to the Queen."

It is not like our situation where the resignation is submitted and then, for days and days together, speculation goes on; following that, pressure is put—some persons put the pressure—and lobbies are created. Now, I would quote the indispensability of the Agriculture Minister which was then said here; Mr. George Brown says this and I would only read one sentence:

"The last sentence of the right hon. Gentleman's speech obviously makes this moment—as it must for those who have known him longer than I have, I have known him for ten years a very uncomfortable one. I have had occasion to speak to the right hon. Gentleman from this Box in recent months a little roughly at times, perhaps, for a younger man to an older man, but I have said repeatedly—I said it in the country last Friday and perhaps, I may repeat it now to hon. and right hon. Gentlemen opposite—that the Government will have difficulty..."

Kindly note this and this is what I

also want to say:

"...will have difficulty in finding from their own benches a Minister of Agriculture who will be as good for their purposes as the right hon. Gentleman has been".

After giving these compliments, the resignation was accepted and the entire House said that it was the parliamentary democratic value on account of which the acceptance should be done. This is the tradition in the House of Commons.

I have also mentioned the traditions of ours in the scandal of Mundhra. Sir, you may also recall that Mundhra scandal is not the only one scandal. The Chief Minister of Punjab, Shri Pratap Singh Kairon had to resign; Shri Bakshi Ghulam Mohammed of Jammu & Kashmir had to resign; and three successive Chief Ministers of Maharashtra had either resigned or were to be sacked. These are all the events, of recent times, capped by Lal Bahadur Shastri of the golden ages, when he resigned for train accident for fault of Station Master of Railways.

Just now, it was said that in no other Government, it had happened. It had happened elsewhere, Sir. The report of Kuldip Singh in the matter of Mr. Hegde of Karnataka also, led to his exit. The same thing as also the reports of various others. Mr. K.D. Malaviya in the Serajuddin scandal had to go, where he had no direct hand. All that he said was this:

"I asked this firm to pay Rs. 10,000/- for election purposes to someone"

So Mr. K.D. Malaviya had to go. These are the constitutional responsibilities and accountability. When we talk of it,

we should always remember what our founding fathers of the Constitution, the great people said in Article 75 of the Constitution. They had articulated and enacted a provision to set at rest this controversy. It says:

"The Council and Ministers shall be collectively responsible to the House of the People."

Their responsibility to this august House is this; and the hon. Prime Minister, at the time of appointing this MIRDHA Committee has clearly said that he wanted to establish it in the interest of parliamentary supremacy. Therefore, he constituted a Joint Parliamentary Committee. Are the Report and the inquiry under the Commission of Inquiry Act on a much higher footing? I was pained and I was very much concerned when the hon. Minister Mr. Mukherjee today in his arguments—after quite a long time—debated on this point. He said that Chagla's report was under the Commission of Inquiry Act. Commission of Inquiry Act is a Statute created by the Parliament. When the entire Parliament, the hon. Prime Minister and at his request, the hon. Speaker constitute a Committee, a Joint Parliamentary Committee of hon. Members of all the parties, it stands on a very very high pedestal, in comparison to Chagla Commission the latter report was to Govt. and not to Parliament.

That being so, it is improper to say here in a lighthearted way that there are certain omissions and commissions in the Mirdha Report and hence the Report should be discarded.

MR. CHAIRMAN: Please conclude.

SHRI GUMAN MAL LODHA: Sir, I pray for some more time. I am not narrating stories like my friend Shri Buta Singh

who was telling about postmasters and so on. I am only stating the hard-hitting facts contained in this Report. One of the hon. Members from the Treasury Benches has said that unless there is moral turpitude, there is no need to resign. May I ask him to find out what the Committee says? The Committee says that the scam is basically a deliberate and criminal misuse of public funds.

Para 2.7 (page 7) reads:

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

There is "deliberate and criminal misuse of public funds".

There is misfeasance and misconduct and misappropriation. And guilty intention MENS REA is also there. Is not deliberate and criminal misuse of public funds tantamount to moral turpitude? When they use the words 'deliberate and criminal misuse of public funds', I am yet to find some definition somewhere as to what it means otherwise. There was a deliberate and criminal misuse of funds to the extent of Rs. 36,000 crore which were disinvested from the public utility concerns and an amount to the extent of Rs. 8,300 crore from banks and financial institutions. Can it still be said technical omission or a commission? Or is it misfeasance or misappropriation or malfeasance... (*Interruptions*)

[*Translation*]

SHRI MRUTYUNJAYA NAYAK: Who misappropriated so much money of the primary school?

[English]

SHRI GUMAN MAL LODHA: In this very paragraph it is stated that there is also some evidence of some big industrial houses playing an important role because of which the economy of the country had to suffer. And while some gained, thousands and millions and crores of investors lost their savings. It is the concern for these thousands and millions and crores of investors and depositors who have lost their life savings, which should be the main topic for discussion and the main cause of anxiety to all of us. But instead of that, here sermons are being preached on abstract poverty and it is being said that a true philosophy now after 40 years of failure of socialism has at last emerged in liberalisation which will wipe out the tears from the eyes of millions and millions of people. Sir, we have been hearing such sermons for the last forty years or more. It was Late Pandit Jawaharlal Nehru who first talked about wiping of the tears from the eyes of every person in the country by socialist pattern of society. He said that that was their first objective but the poverty increased. Then Late Shrimati Indira Gandhi said the same thing. She said that a new policy of socialism by 42nd Amendment enunciated by her Government would open the gates for prosperity and that the new policy would eradicate poverty but it happened otherwise. And now, we hear that concern for poverty in opening to multinational capitalism and that too from Shri Chidambaram who himself is involved in the scam scandal. He is found to have taken Promoters' shares of Rs. 1000/- for Rs. 10/- only. *(Interruptions)*

MR. CHAIRMAN: No please. You cannot make allegations. That will not go on record.

SHRI GUMAN MAL LODHA:
(Interruptions)....*

MR. CHAIRMAN: You please conclude.

SHRI GUMAN MAL LODHA: Sir, this is a very serious matter. It is not a secret that he has resigned on this particular point of favour of Promoters' Shares. It is also a fact that the Prime Minister had accepted his resignation. Only Mr. Manmohan Singh's resignation has not yet been accepted. But Shri Chidambaram's resignation was a *fait accompli*. He has resigned on account of purchasing promoters' shares in Rs. 10/- each, which were being quoted in thousands in stock market. *(Interruptions)*

MR. CHAIRMAN: Please don't go into all those aspects. There are so many other points on which you can speak. Don't make allegations.

SHRI GUMAN MAL LODHA: Can I read from the Report Sir?

In paragraph 14.55 of this JPC report, it would be found that both these Ministers Chidambaram and Khurshheed who tried to defend F.M. have been held up for their own Commerce ministerial responsibility for disinvestment of huge funds in STC and MMTC. The findings in the report, are—"The Committee noted that in the case of PSUs like STC, MMTC, OIL, funds were invested without instructions how to invest them." They did not defend them. Yesterday, they spoke of poverty and political philosophy making wild attacks against BJP and leftists and off-side kicks against the Opposition as a whole, as they could not make any direct score. Now they have to reply to this, as

* Not recorded.

to STC and MMTS funds swindling.
(*Interruptions*)

KUMARI MAMATA BANERJEE
(Calcutta South): Sir, I am on a point of
order.

SHRI GUMAN MAL LODHA: Sir, I
am not yielding.

MR. CHAIRMAN: She is on a point
of order. Let us hear her. What is your
point of order?

KUMARI MAMATA BANERJEE:
Sir, I seek your protection. No woman MP
is allowed to take part in this discussion.
So, I request you to allow the women MPs
to participate in this debate.

MR. CHAIRMAN: Your point of or-
der is over ruled. You meet your party
whip.

(*Interruptions*)^{*}...

MR. CHAIRMAN: This is not going
on record. You contact your party whip.

SHRI GUMAN MAL LODHA: I
would like to mention only few points
here. I would be happy if the hon. Minis-
ters here or the Prime Minister intends to
appear to give a reply to these points.
Firstly, in the beginning of the proceed-
ings of the House today one of the very
respected hon. Members and former
Chief Minister of Bihar, Shri Ghafoor said
that it has come out that the Finance
Minister had a meeting at his house**...
This is one question and it is for them to
reply, Sir, ...(*Interruptions*)... I am not
yielding. (*Interruptions*)

THE MINISTER OF FINANCE
(SHRI MANMOHAN SINGH): I
categorically deny it.

MR. CHAIRMAN: No allegations
like that please. The rule does not permit
it.

(*Interruptions*)

SHRI GUMAN MAL LODHA: I want
to know whether he met him on that par-
ticular day and**... (*Interruptions*)

SHRI A. CHARLES: Sir, we object
to this sort of allegation. It cannot be al-
lowed. (*Interruptions*)

SHRI GUMAN MAL LODHA: It is
not a new thing; it has already come out
in the papers and speech of Shri Ghafoor
I am pointedly asking the Finance Minister
to reply**... (*Interruptions*)

MR. CHAIRMAN: Please sit down.
You cannot cast any aspersions on any-
body like that. This will not go on record.

(*Interruptions*)

SHRI MANMOHAN SINGH: This is
the fascist mentality of the BJP!

PROF. P.J. KURIEN (Mavelikara):
For making personal allegations, the hon.
Member should have taken the prior per-
mission of the hon. Speaker. Has he
taken the permission Sir? Personal alle-
gations of incriminating nature cannot be
made here without the prior permission of
the hon. Speaker. So, I request the hon.
Chairman to expunge the remarks made
by the hon. Member and also direct him to
tender an unconditional apology.
(*Interruptions*)

* Not recorded

** Expunged as ordered by the Chair.

MR. CHAIRMAN: The hon. Minister is trying to say something. Please listen to him.

SHRI MANMOHAN SINGH: Mr. Chairman Sir, I have heard and read what fascism is. But I have seen it today. A totally unsubstantiated and unmitigated untruth has been uttered by hon. Member. I challenge him to substantiate it. If he can prove what he is saying, I will retire from public life. If he cannot substantiate it, he should do the same.

SHRI MRUTYUNJAYA NAYAK: Accept the challenge. *(Interruptions)*

SHRI GUMAN MAL LODHA: This is not a new allegation. This has been made on the floor of the House only today morning, by Shri Abdul Ghafoor, former C.M., Bihar.

MR. CHAIRMAN: The hon. Member has said that you should not make any allegations unless you give a prior notice to the hon. Speaker. I have already given a ruling that those allegations will not form part of the proceedings.

(Interruptions)

SHRI GUMAN MAL LODHA: It was made in the morning also. *(Interruptions)*

[Translation]

SHRI ATAL BIHARI VAJPAYEE (Lucknow): Mr. Chairman, Sir, I am on a point of order....*(Interruptions)*.... you made a mention of rules,....*(Interruptions)* ...according to the rules, if an allegation is to be made against a Minister, notice in this regard should be given to the Hon. Speaker in writing. This rule has its own importance and generally we follow this rule. But the context of today's discussion is quite different. In that discussion the

Finance Minister is the focus of attention. What Mr. Lodha said, was earlier said by Mr. Ghafoor also. The Minister, at that time did not contradict... *(Interruptions)*

SHRI MURLI DEORA (Bombay South): Mr. Ghafoor did not say anything in this regard.

SHRI GUMAN MAL LODHA: Mr. Ghafoor said about it in the morning¹

[English]

SHRI MANMOHAN SINGH: I challenge Shri Ghafoor also on the floor of the House. If he can substantiate his charge, I will retire from public life. If he cannot prove it, then he should do so.

[Translation]

SHRI ATAL BIHARI VAJPAYEE: Mr. Chairman, Sir, this allegation was made and the Finance Minister has refuted the allegation. This matter should end now. But it does not behove Mr. Manmohan Singh to say that this is fascism and we are witnessing manifestation of fascism... *(Interruptions)*..

[English]

MR. CHAIRMAN: You please sit down. Nothing will go on record.

(Interruptions)*

MR. CHAIRMAN: When the Chairman is on his legs, you should sit down. You have no respect for the Chair.

(Interruptions)

MR. CHAIRMAN: I have given my ruling that whatever Shri Lodha has said, will not form part of the proceeding.

¹ Not recorded

SHRI ATAL BIHARI VAJPAYEE: In that case, how can the challenge given by the Finance Minister go on record? Both should go on record. *(Interruptions)*

[Translation]

AGRICULTURE MINISTER (SHRI BALRAM JAKHAR): Mr. Chairman, Sir, they talk of decorum and cross the limits of decorum themselves. After all there is a limit to everything.. *(Interruptions)*

SHRI ABDUL GHAFOOR (Gopalganj): I got the opportunity to listen to speeches of every one. I listened attentively when they were saying that... *(Interruptions)*... It seems India will be doomed if Mr. Manmohan Singh resigns from the office of Finance Minister. I would like to remind a sentence.... *(Interruptions)*

[English]

SHRI AYUB KHAN (Jhunjhunu): You cannot speak on this. *(Interruptions)*

SHRI CHANDRA SHEKHAR (Ballia): Mr. Chairman, Sir, things are going beyond a point. I can understand a certain amount of heat. But, is it the position that nobody can say a word about Shri Manmohan Singh? In this House itself, it was told yesterday—I was not present here—that after 5000 years a person has been born in this country who is bringing hope to the poor people. You are not destroying the history of 40 years of independence, you are destroying the history of 5000 years of culture and civilization of this country. Nobody from this side...

DR. KARTIKESWAR PATRA (Balasore): Sir, I have a point of order.

SHRI CHANDRA SHEKHAR: I am not yielding. There is no point of order.

SHRI MURLI DEORA: You have become the Speaker.

SHRI CHANDRA SHEKHAR: Yes, sometimes I have to be the Speaker. It is not that anyone can stand up and raise a point of order.

Mr. Chairman, Sir, I can also stand for five hours like that. I have faced much more boisterous people and much greater flatterers than I see today.

I am not to be cowed down by them. I am only saying that nobody's conscience was pricked yesterday when this was told that after 5000 years one person has come to bring El Dorado to the country. Not one Congressman objected to this.

MR. CHAIRMAN: What is your point? What do you want to say?

SHRI CHANDRA SHEKHAR: Sir, you have allowed the Finance Minister to give a challenge to Shri Ghafoor. He is now rising to say his point. Nobody can deny him this right to reply back to the Finance Minister, who has given a challenge to Shri Ghafoor and to Shri Lodha. It is your duty and responsibility to see that Shri Ghafoor has his say.

SHRI KAMAL CHAUDHARY (Hoshiarpur): Sir, it is very unfortunate that a leader of the Opposition has to get up to defend one of the defaulters for making unfounded allegations on the floor of the House. It is very unfortunate, Sir.

SHRI MRUTYUNJAYA NAYAK: Sir, I have one submission to make.

MR. CHAIRMAN: No, you may please sit down. *(Interruptions)*

SHRI CHANDRA SHEKHAR: Sir, if Shri Ghafoor is not allowed to speak the House will not proceed. *(Interruptions)*

[Translation]

SHRI ABDUL GHAFOOR: This discussion is taking place on the report of JPC. The meaning of the word scam was previously unknown to us but now even a child knows about it. *(Interruptions)*

I would like to describe one incident. One day, when Shri Manmohan Singh was passing through the Lobby of the House, I stopped him and asked to take some action against the, Bank of Credit and Commerce because some of our politicians have also involved in such cases. The reply given by him at that time gave me indications that he would do nothing in this regard. Can you imagine about his reply? He said that our relations with Saudi Arabia, Dubai and other countries would deteriorate. But America took action against the same Bank.

SHRI AYUB KHAN: Why America took actions against it?

SHRI ABDUL GHAFOOR: America took action against it for its involvement in the scam. Similarly to this one... *(Interruptions)* A CBDT officer told that he was asked to come at 1.30 p.m.

SHRI AYUB KHAN: He must have used the word 'perhaps'.

SHRI ABDUL GHAFOOR: You may be right. He was asked as to why he conducted a raid against Harshad Mehta.

Not only this, my colleague Rameshwar Thakur was asking that what

was in that file, why it was submitted. As Thakur Saheb has said, Manmohan Singh did not write any remark on it, it was a routine matter. All right if it is a routine scam, involving routine matter, then it will continue and neither the Minister nor Finance Minister or Rameshwar Thakur will be held responsible for it. He had referred my name and therefore I had to put the record straight otherwise this situation would not have been arisen. *(Interruptions)*

I was thinking, since the morning whether one can do anything while being a Member of this House or not. May be Mr. Chairman, Sir, you give me one day's time. I will tender my resignation tomorrow. I am saying it in the House that next election will be contested on this very issue as to whether Shri Manmohan Singh or the Prime Minister is responsible for the deeds of the Members of the Cabinet or not? If they do not have any responsibility then we are ready.

[English]

I am prepared to resign from this House. I will take up this challenge.

SHRI BALRAM JAKHAR: This is absolutely wrong *(Interruptions)*

[Translation]

SHRI NITISH KUMAR (Barh): Will Shri Manmohan Singh accept this challenge and contest election from Goplaganj... *(Interruptions)*

[English]

MR. CHAIRMAN: Nothing will go on record.

(Interruptions)*

[English]

[Translation]

SHRI GUMAN MAL LODHA: My friend Shri Ghafoor has given a challenge.

(Interruptions)

[English]

MR. CHAIRMAN: Mr. Nitish Kumar, you please sit down. Please do not disturb the proceedings. He will reply at appropriate time. (Interruptions)

SHRI GUMAN MAL LODHA: Sir, I accept the challenge of Shri Manmohan Singh. I would resign from my seat, he should resign from his seat and contest from wherever he likes. My resignation would be given by this evening. If he likes, let both resignations be accepted by the Prime Minister. Let the Prime Minister reorder the poll on the issue of responsibility for scam of F.M. I am prepared to do that. These scandals are going on one after another.

I am reading now the video interview of Shri Bhardwaj. Law Minister proving that Shri Harshad Mehta gave money to Ministers. (Interruptions)

This chara machine scandal also Bofors Scandal, H.W.D. Scandal, O.N.G.C. Scandal, Westland Helicopter Scandal, Jeep Scandal and several others. (Interruptions)

[Translation]

SHRI NITISH KUMAR: Shri Manmohan Singh is giving the challenge to the whole world. (Interruptions)

SHRI A. CHARLES (Trivendrum): I am on a point of order, Sir. He is quoting from an unauthenticated document. I would like to know whether the document has been authenticated or not. (Interruptions)

SHRI GUMAN MAL LODHA: This is a parliamentary debate of Lok Sabha dated 27.7.93 mentioning Bhardwaj's interview of NANDINI for T.V. Programme. (Interruptions)

SHRI A.CHARLES: He was reading from some newspaper and not from the debate. (Interruptions)

SHRI GUMAN MAL LODHA: Kindly protect me, Sir. I am unfolding one after the other scandals.

[Translation]

This is not such an ordinary case. Our hon. Leader Shri Vajpayee Ji read out the interview of Shri Bhardwaj on 27th July 1993. (Interruptions)

I quote Nandini:

[English]

"Do you not feel that this has somehow blurred the morale of your Party's position on corruption in the high office?

What about the scam; how many of your Ministers are there? I know personally, several people who used to roam about and flaunt around with Krishnamurthy,

[Shri Guman Mal Lodha]

Chaturvedi and this Harshad Mehta. He was in everybody's bedroom. Fortunately, I was Minister of Planning, othewise, he would have come to my house also. He gave lot of money to the people, political people." *(Interruptions)*

MR. CHAIRMAN: What is that you are reading?

(Interruptions)

SHRI GUMAN MAL LODHA: Permit me to say. You have to permit me to complete it. It was the Minister, Shri Bhardwaj, saying about all the Ministers in video interview to Nandini for T.V. programme of Ministers for Pratish Nandi Show. *(Interruptions)*

THE MINISTER OF STATE IN THE MINISTRY OF HUMAN RESOURCE DEVELOPMENT (DEPARTMENT OF YOUTH AFFAIRS AND SPORTS) AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI MUKUL WASNIK): I would like to know what Shri Lodha is reading out and mentioning, that it has been said by Shri Bhardwaj on the floor of the House... *(Interruptions)*.. You have just now said what Shri Atal Bihari Vajpayee has said.

SHRI GUMAN MAL LODHA: Yes. This is what Shri Bhardwaj has said in an interview with Pratish Nandi Show quoted by respected Hon'ble Leader of the opposition on the floor of Lok Sabha.

SHRI MUKUL WASNIK: Do you say that Shri Bhardwaj has said this on the floor of the House?

SHRI GUMAN MAL LODHA: No.

Try to listen. Listen with rapt attention. It was for T.V. Interview for Pratish Nandi Show.

SHRI MUKUL WASNIK: I can listen properly if you speak and not if you shout. *(Interruptions)*

MR. CHAIRMAN: Please conclude.

(Interruptions)

SHRI GUMAN MAL LODHA: Sir, I am not yielding to such interruption shouting brigades.

SHRI BALRAM JAKHAR: Is hearsay an evidence? *(Interruptions)*

[Translation]

AN HON. MEMBER: The fodder machine... *(Interruptions)*

SHRI BALRAM JAKHAR: Earning money through such means is not a good thing. Just quote one person who says that I have done such thing then you may punish me. I am not of that type. I believe in earning my bread by the dint of hard working labour. I hate Haramkhori. *(Interruptions)*

[English]

SHRI GUMAN MAL LODHA: Let me complete my speech. After that, Shri Jakhar can speak. I am reading the proceedings of this House. Sie, permit me to read the proceedings of the august House, which exposed the scandals one after one and almost all the Ministers are in the dock. He said: "What about scam?" The question is: "How many of your Ministers are there?" The reply of Bhardwaj is: "I know personally, several people who used to roam about and flaunt around

with Mr. Krishnamurthy, Mr. Chaturvedi and Mr. Harshad Mehta. He was in everybody's bed room." All the Ministers were together. Then, Mr. Bhardwaj says: "Unfortunately, I was the Minister of Planning. Otherwise, he would have come to my house also." Then, I would quote one more sentence. He said: "He gave lot of money to the people, political people." He has condemned all the Ministers and this is bold condemnation. I congratulate Bhardwaj for boldness.

I would, therefore, say that the Prime Minister and the entire cabinet should resign in order to clean the public life and establish high morality. *(Interruptions)* We have not said anything against Mr. Bhardwaj. You have no cheek to do anything against Mr. Bhardwaj because he has boldly said the truth. Therefore, I call for resignation of all the Cabinet Ministers, who are involved in this security scam and scandal of multi-thousand crore swindling of public funds, looting and robbing lakhs of poor investors and depositors and tax payees of India.

SHRI RAM NAIK (Bombay North): Mr. Chairman, Sir, I am on a point of order. The hon. Minister, Shri Balram Jakhar has uttered some angry words. While uttering angry words, he has abused also. I request you, Sir, to get the record and expunge whatever is unparliamentary in that. *(Interruptions)*

SHRI BALRAM JAKHAR: I did not abuse anybody. *(Interruptions)*

SHRI RAM NAIK: You have said that there are *haramkhors*. You have also said... *(Interruptions)*

[Translation]

SHRI BALRAM JAKHAR: I just said

that the persons involved in such wrong doing are *Haramkhors*. I openly say that an unscrupulous person is a *Haramkhor*. I can give it in writing that till date I have not done anything like this rather could not have even dreamt of doing so. *(Interruptions)*

[English]

MR. CHAIRMAN: I have not heard. I did not hear that.

SHRI RAM NAIK: I understand that there was a lot of commotion in the House. Sir, when I am speaking with your permission, the Minister is getting up. *(Interruptions)*

MR. CHAIRMAN: Please do not direct the Chair what to do. I know what I have to do.

SHRI RAM NAIK: My request is that whatever unparliamentary words said by the Minister should be expunged.

SHRI BALRAM JAKHAR: I did not utter any unparliamentary word. *(Interruptions)*

[Translation]

I simply said that one who does such acts is not a good person. *(Interruptions)*

[English]

THE MINISTER OF STATE OF THE MINISTRY OF INFORMATION AND BROADCASTING (SHRI K.P. SINGH DEO): Sir, the hon. Member, Shri Guman Mal Lodha was mentioning something, which was a subject matter of controversy. So, I would like to know whether he was quoting from Shri Atal

[Shri K.P. Singh Deo]

Bihari Vajpayee's statement. Shri Vajpayee had quoted this during the No-Confidence Motion and this is something is supposed to have appeared in an interview because the interview carried by Doordarshan did not have any of these dialogues of Mr. Hansraj Bhardwaj. *(Interruptions)*

SHRI INDRAJIT GUPTA (Midnapore): Sir, it is now going to be 5 O'Clock. The proceedings of the House are getting somewhat hot now. Do you not think that, at this stage, when the House is in turmoil—tomorrow the country will be in turmoil—at least, at this moment, the Prime Minister should appear in the House and say something? What is this? Such a major issue is being debated for two days and the Prime Minister do not consider it necessary to come to the House. *(Interruptions)*

SHRI MUKUL WASNIK: All the Cabinet Ministers are here.

SHRI INDRAJIT GUPTA: What kind of attitude is this towards the Parliament? It is the attitude of contempt. He should come here.

[Translation]

SHRI ATAL BIHARI VAJPAYEE: It is not enough that the hon. Prime Minister comes to the House just now. This discussion has been going on for the last two days. We hope that he will reply to this debate. He is not present in the House, but he should have been here this time. Who will reply to this debate? We demand that the Hon. Prime Minister should come to the House and reply to the debate.

[English]

MR. CHAIRMAN: The Prime Minister may be in the Rajya Sabha.

SHRI SOMNATH CHATTERJEE: This Session is being held particularly to discuss the JPC Report. *(Interruptions)*

MR. CHAIRMAN: There also they are discussing the JPC Report. He might be in the Rajya Sabha.

SHRI SOMNATH CHATTERJEE: No question of might be. Please find out. Let the Government respond. What is this going on?

MR. CHAIRMAN: How will we find out? The Minister of Parliamentary Affairs is here.

SHRI SOMNATH CHATTERJEE: We do not have the Prime Minister in this special discussion in the Lok Sabha. We do not know who will reply on behalf of the Prime Minister.

[Translation]

SHRI SHARAD YADAV (Madhepura): This debate is useless, unless the Government announces the time of the Prime Minister's arrival.

[English]

MR. CHAIRMAN: Please do not disturb. The Prime Minister knows his duties.

16.52 hrs.

[MR. SPEAKER *in the Chair.*]

[Translation]

SHRI ATAL BIHARI VAJPAYEE: Mr. Speaker, Sir, we had made a request

to the hon. Chairman before you took over. This is the last day of the session. Two days were specially kept for discussion on this issue. Very important debate has taken place here. We want the hon. Prime Minister to come and reply to this debate. He is not present in this House. If he is busy in the other House, we can sit here for some more time, but this discussion will remain incomplete without the reply of the hon. Prime Minister. Please convey our feelings to the Hon. Prime Minister that the Member of the Opposition as well as the ruling party want to hear him. There cannot be two opinions that the Prime Minister should come here and reply to the debate.

SHRI SHARAD YADAV: The concerned Minister as well as the Parliamentary Affairs Minister are sitting here. We should get a definite reply to this question, otherwise, we feel that the entire debate will become useless. It should be clarified as to when the Prime Minister is coming here. Only then, this debate will be a meaningful debate.

[English]

SHRI SOMNATH CHATTERJEE: Sir, it is a special Session. Everybody has agreed. The Minister of Parliamentary Affairs offered to and agreed with us. This is a very important Report which should be discussed and for which we are sitting here especially during the Christmas week. We have never done it, as far as my knowledge goes. Now, we find that probably the Finance Minister is going to reply on behalf of the Government to this debate. This is not the concern of only the Finance Ministry or the Finance Minister. So may Ministers are involved. The Government itself is under the cloud. Therefore, the only person who can reply on behalf of the Government is the Prime Minister. It is a matter of great importance

and magnitude. Today, there is a complete callous attitude towards this House. Not for a minute the Prime Minister has come here. This is the attitude towards the House. We would like to know what is the position; otherwise there is no point in waiting.

[Translation]

SHRI CHANDRA SHEKHAR: Mr. Speaker, Sir, if any new parliamentary practice has not yet been introduced, then according to the prevalent parliamentary practice, the hon. Prime Minister should be present here. His presence or absence makes no difference to me. But if the Parliamentary practice still exists, then he will respect and follow the advice given by the Leader of the Opposition? Mr. Speaker, Sir, we will be grateful if you direct the Prime Minister to be present in the House.

[English]

SHRI MUKUL WASNIK: Sir, the charges from the Leader of the Opposition that the Government is not paying full *seriousness to the debate yesterday and today* are not correct and it is not fair. Yesterday, when the debate was initiated by the Leader of the Opposition, the hon. Prime Minister was here and he listened carefully to the Members who participated during that course of time. I would just like to say that throughout yesterday and today, we from the Government, have listened carefully, with full seriousness, to the submissions made by the hon. Members during the course of this debate. As far as the reply to the debate is concerned, we feel that the hon. Finance Minister, Shri Manmohan Singh, is competent enough to reply to the debate.

(Interruptions)

SHRI SOMNATH CHATTERJEE (Bolpur): Let us stop this debate. There is

[Shri Somnath Chatterjee]

no point. We have talked it out.
(*Interruptions*)

[*Translation*]

SHRI LAL K. ADVANI (Gandhi Nagar): Mr. Speaker, Sir, you may be remembering that when this question was raised here yesterday, the Leader of the Opposition, Shri Atal Bihari Vajpayee, while starting the debate, had asked about the authenticity of the news-items published in the newspaper about the resignation of the Finance Minister and the response of the Government in that regard? Some other Members had also asked about this.

[*English*]

With due deference to the J.P.C. report he has tendered his resignation. What the Government's response would be to the J.P.C. report depends upon what the Prime Minister is going to do. And, therefore, we would not like to listen to what Dr. Manmohan Singh has to say. He is a Minister who has tendered his resignation already. I presume that that report is correct. What we would like to know is : How is the Prime Minister going to respond to this J.P.C. report? Is his response the same as that of the Finance Minister or does he think that the Finance Minister has done wrong as Shri Chidambaram raised or as our other Ministers think that he should not have resigned at all that there is no need for anyone to accept the responsibility or accountability as indicated by the J.P.C. report? And, therefore, the issue is not merely the presence of the Prime Minister. That is very important, as Shri Somnathji said or as Shri Vajpayeeji said. But even more important is who is

going to reply to this debate and if Shri Manmohan Singh is going to reply to this debate, I think there is no point in continuing this debate. (*Interruptions*)

SHRI SOMNATH CHATTERJEE:
He has accepted the report and he has resigned. What else is there for him to say? (*Interruptions*)

MR. SPEAKER: Well, I have to bring certain facts to your notice. I did enquire from the Parliamentary Affairs Minister whether the Prime Minister is coming here and I am told that he is likely to come and be in the House. That is one point.

The second point is that very learned and very comprehensive statements have been made by the hon. Members from both the sides and we should appreciate the interest taken by the Members and the manner in which they have marshalled the facts on the floor of the House.

The J.P.C. report is quite voluminous. It involves too many technical issues and unless one has gone through all the pages of the J.P.C. report and gone through the entire debate which has taken place on the floor of the House, sometimes one is not likely to hit the nail on the head. And here I would like to say that yesterday the Prime Minister was sitting here. But then I was informed that he was indisposed and even the doctors were there in Parliament House. I myself told him that if he had to go and if he was not well, he could go. Today also I am told that he has some appointments with Lord Machay and others also.

17.00 hrs.

According to the information which

is passed on to me is, he is likely to come to the House. Let us hear Shri Manmohan Singh and if there is anything on which it is only the Prime Minister has to say or if he wants to say—I am not asking him to say—then he should say. Otherwise, if such a good debate in which you have all participated, goes without any reply, that also is not good.

[Translation]

SHRI NITISH KUMAR: By not coming to the House, the Prime Minister is showing contempt to the House.

MR. SPEAKER: Please look, I will accept if the things are put in a proper way. How can I accept if you continue to speak in this manner?

SHRI ATAL BIHARI VAJPAYEE: Mr. Speaker, Sir, we have listened to what you have said. If the Finance Minister who, it is said, has resigned, wants to say something about his resignation, we have no objection about it. If he wants to tell the House that he had tendered his resignation, but now he want to withdraw it, he can do so, but he cannot reply to this debate. The Hon. Prime Minister should come and reply to this debate. The Finance Minister cannot reply to it.

[English]

MR. SPEAKER: You may treat it as a reply; you may treat it as an intervention; you may treat it as a statement. But leave aside Minister, even a Member cannot be asked not to reply, not to say. It is not possible for us to say: "You do not speak."

[Translation]

SHRI ATAL BIHARI VAJPAYEE: We have no objection if the Finance Minister says something but the debate should be replied to by the Hon. Minister (Interruptions).

[English]

SHRI NITISH KUMAR: Let us accept Shri Shankaranand's statement as reply.

SHRI H.D. DEVEGOWDA (Hassan): Mr. Speaker, Sir, we are debating from yesterday on this biggest money scandal in the twentieth century, which comes to about Rs. 5700 crores. This was already reimbursed by the Finance Minister from the tax-payers' money in the Budgets. I do not want to go into details about the points raised by the JPC because so many points have been touched by the senior Members while participating in the debate.

Yesterday, it was advocated by Mr. Chidambaram who was the former Commerce Minister that the scam was due to the failure of the system. I would like to ask one or two points in the form of clarifications from the Finance Minister. I would like to know whether the scam is due to failure of our system or failure of the administrative machinery and lack of will to take decisions on certain vital matters, who are responsible?

How administrative machinery totally collapsed and how political interference made at every stage while finding out the culprits and punishing the culprits can be noticed by the views expressed by the JPC in Volume II, page 116, to which I would like to draw the attention of the House.

[Shri H.D. Devegowda]

"The team was informed that virtually entire bank records relating to the subject Rights Issue had been taken by the CBI. Accordingly, informal discussions were also held with the officers of CBI and bank records and other relevant documents were seen. In the absence of proper authorisation, (I would like to emphasise particularly on this point) from the appropriate authority, the officers from the CBI expressed their reluctance in making available photocopies of the documents in their possession."

I would ask some of the Members who have spoken yesterday from the ruling party who have said that the system failure is the root cause for the biggest money scandal in the 20th century, can it be attributed to the failure on the part of the CBI or the SEBI Officers who pleaded their helplessness to produce all the relevant photostat documents pertaining to the Rights Issue? They admitted the Authority has not been permitted. They have not secured permission from the authority to produce those documents. Who is that authority? Who is that "appropriate authority" who tried to prevail on the CBI not to produce the documents which are cited by the committee, I would like to ask the Senior Members of the ruling party. Is this the style of functioning of this Government? Is it going to bring any credit to anybody? In the last 45 years, we have seen enough of many corruption charges, favouritism, nepotism on the part of many political leaders and many Commissions of Inquiry were held. No report of any of the Commissions of Inquiry has been implemented and action has been taken after Independence. Today we are debating on an issue of this nature wherein nearly Rs. 6,000 crores of

money has been involved, has been paid by the tax-payers by making provision in the Central Budget. Today we are debating under Rule 193. I do not think anybody in the Opposition expects that the Government is going into the fraud to take action or anybody is going to tender his resignation. If they imagine in that way, they are under illusion. All these problems should not be treated on party lines. The Government is not going to yield to the demands made by our Opposition friends.

I would like to draw the attention of the hon. House how the money has been used, the money which relates to PSUs. Who is responsible for that? Some papers wrote demanding the resignation of Shri Shankaranand. I am sorry why the poor man should resign. I would like to put the same question to the other people who are responsible for the investment in the public sector undertakings' funds in Scam.

It is stated in the Report:—

"Four months after the Scam became public, the Board of Directors, KRIBHCO issued revised guidelines that investment of surplus funds of the Society. The Committee regrets that the Ministry concerned who has the ultimate accountability for the observance of the financial rules and regulations, did not properly discharge their responsibility."

Who is at the helm of affairs of the Ministry of Fertilisers? Even after four months of the Scam, they never cared to take note of the frauds that have been committed by the Scam.

Rs. 250 crores of money which has been invested both by KRIBHCO and

IFFCO have been invested for the Scam. That means, it is not due to liberalisation of our economic policy. It is the people who are at the helm of affairs who are making decisions who are responsible for the failure of the system. The system has not failed. They have failed.

I would like to draw the attention of the hon. House to the many existing laws which are the laws made only for the protection of the culprits and for the protection of the swindlers, the protection of the blackmarketeers and for the protection of the corrupt politicians of this country. I am going to make this sweeping remark with my past experience.

Some of the laws require amendments like the Prevention of Corruption Act. It is very much necessary to bring an amendment to the anti-Corruption law to confiscate the property acquired by an Officer or by a politician disproportionate to the known sources of income.

Mr friend Shri P. Chidambaram has said that something which was relevant in 1947 might not be relevant today. Yes, when the Constitution was framed, our Constitution makers have thought that people of such stature will also come in the future. Today, mentioning the name of Pandit Jawaharlal Nehru, mentioning the name of Lal Bahadur Shastri is irrelevant. Those days are over. The day of Shri Narasimha Rao and Shri Chidambaram has come that all those past examples are irrelevant. The laws once we have made or enacted in this country are also irrelevant to prevent the financial blunders that are going to be omitted.

I would like to make one or two points particularly regarding some of the laws wherein sufficient and ample scope

is there for those who have committed the financial blunders to escape from any type of punishment. That is why I ask the Finance Minister one question: Will he think of bringing forward an amendment? I know he is not going to go away from the House. The Prime Minister will not accept his resignation. I have also resigned once from the Ministry. But on the day I resigned, I never entered the office. I never signed a paper. My resignation was accepted after one week by the Chief Minister of Karnataka. I never went to office even a single day after I tendered my resignation. I know how the politicians function. He has excelled even a professional politician in dealing with this matter. To the entire world he has shown that he wants to quit on moral grounds. Again, he left the matter to the Prime Minister for taking a decision. Now he is functioning in the House as a Finance Minister. But I have no personal grouse, personal grievance. I have no personal animosity about the Finance Minister or about his integrity. But the way in which he has tried to fool the people of this country, I am sorry to say, is engaging our attention. Having tendered his resignation, whether it is going to be accepted or not, he ought not to have come to this House as a Finance Minister to discharge his duty I have done this as a Minister for Public Works and Irrigation. When I tendered my resignation, for that day I never signed a single paper. I had not signed any paper till the resignation was accepted. Anyhow, I do not want to elaborate on that point now.

Sir, I want to know one thing. Is he going to assure the House to bring forward an amendment to the Anti-Corruption Act? About those people who had indulged in corruption while they were in office or while their relatives were in office, if they had indulged in corruption and acquired property or assets

[Shri H.D. Devegowda]

disproportionate to their known sources of income, are you prepared to bring forward an amendment to deal with them? I would like to tell this Government to confiscate the property which is going to be acquired by any officer or any politician which is disproportionate to the known sources of income. This is one thing which I would like to tell the Government.

The second thing is while giving his evidence before the Committee, he took shelter under the Official Secrets Act for some of the documents. The Official Secrets Act has given so much of a protection to the Government to take shelter under it. If it is confined to the country's defence or security, I agree with you. On all other matters, the Government tries to take shelter under the Official Secrets Act which should be given a go-by. Are you prepared to introduce an amendment to the Official Secrets Act? Only in respect of the country's security and defence, the Official Secrets Act should apply and it should not pertain to the other issues. If you are going to bring forward an amendment, then, I am going to compliment the Government. Even if you continue for another two-and-a-half-years, with all failures, I am not going to worry about it. Let us be very clear on this issue. Let us find out some remedial **measures** for all the lapses in the existing laws. This is what I would like to request the Government.

About the income-tax laws, there are so many loopholes. Are you not competent to plug those loopholes? Are you not prepared to bring forward some amendment? Black money can be generated within the ambit of the present income-tax law itself. You have to think how they are escaping from the income-

tax laws. These are all important issues. We must all apply our mind collectively and see that certain improvements are made in the existing laws. Amendments to the RBI Act, of 1935 and the Banking Regulation Act of 1949 is not sufficient to punish the guilty, if I am correct.

It is necessary to bring certain amendments in all these acts.

The next point I would like to suggest is about the CBI. When it is under the direct control of the executive, whoever it may be, whether it is under the control of the Finance Minister or the Home Minister or the Prime Minister,—normally, the CBI is going to work under the direct control of the Prime Minister—no CBI Officer is prepared to work independently because of the political interference. Because of the interference at every stage, the CBI officers or the investigating agencies are not in a position to discharge their duty impartially. I am not going to make any sweeping remarks against the officers. There are so many top-class officers. There are officers who are known for their integrity and honesty. As far as this episode is concerned, unfortunately, political interference is one of the root causes for this.

This JPC Report itself has clearly mentioned about it. Even though one of the officers tried to draw the attention of the Director of CBI about the involvement of some politicians and some important people about the investment in the foreign banks, the Director of CBI tried to avoid that and asked the Directorate of Enforcement to take note of that. (*Interruptions*).

MR. SPEAKER: Please conclude.

SHRI H.D. DEVEGOWDA: I am not

going to unnecessarily repeat what has been stated by other Members. *(Interruptions)*

MR. SPEAKER: You will appreciate that the time allotted for this discussion was twelve hours and we have sat for more than twelve hours. I know many Members have their flights to catch to go back. They have, in my Chamber, told me that it should be over within time.

(Interruptions)

SHRI H.D. DEVEGOWDA: If you decide, I will sit down.

MR. SPEAKER: You have to be very brief.

SHRI H.D. DEVEGOWDA: I know how the time of the House is going to be wasted. It is not you who is responsible for that. We all are responsible for that. Normally I am not going to speak in all matters. When I want to speak, I would like to express my views which are going to be useful. *(Interruptions)*.

MR. SPEAKER: You are quite capable of being brief and very effective.

(Interruptions)

SHRI H.D. DEVEGOWDA: I am not going to speak to the gallery. If you feel that I should conclude, I will conclude. I have never disobeyed the Chair in my life. *(Interruptions)*

MR. SPEAKER: I do not want to cut you short. Please make your points very briefly.

SHRI H.D. DEVEGOWDA: In this Report, it is mentioned that the CBI officers were not allowed to conduct the

inquiry proceedings about the foreign bank accounts. Why? Who is responsible for that? That is why, I was suggesting and I can elaborate this point particularly that hereafter appointments to some of these sensitive posts should not be the total responsibility of the executive. If at all you want to improve the system, not the system of which Dr. Manmohan Singh has talked about, you do this. Yesterday the whole argument of Chidambaramji was only to protect the Finance Minister and not the Government. I could see that. *(Interruptions)*

SHRI MRUTYUNJAYA NAYAK (Phulbani): What is your target?

SHRI H.D. DEVEGOWDA: I do not know. So many other Ministers were involved in the investment of the public sector units. The Prime Minister also is involved because KRIBCO comes under him, the Department of Fertilizers is under him. He is the Cabinet Minister and he is holding the portfolio. I do not want to go into the merits and demerits of it. But yesterday, the whole argument was to defend the Finance Minister. I would like to make this suggestion because we have seen how we are functioning under the party system. Today the credibility of the political system has been eroded, the credibility of the politicians has been eroded, whosoever it may be. We are working today under such atmosphere in this country. And some of the sensitive appointments is that of the Director of CBI, Director of Enforcement, the Chairman of the nationalised banks and the Chief Vigilance Commissioner, Governor of RBI etc. My suggestion is that all sensitive appointments should be made by the Parliament. The Parliament will decide about it. You must change the existing system. The present system will never improve unless these institutions are made totally free, from the clutches of the politicians.

[Shri H.D. Devegowda]

In the previous Parliament, the Report of the C&AG was denigrated by this very same ruling party.

Sir, normally, the CAG's Report is given more sanctity and value. In this very House, you have denigrated the CAG's Report. That is why I would like to suggest that in some of these areas, we must amend our existing system. So far as the sensitive appointments are concerned, it should have the approval of Parliament. Otherwise, you cannot expect the officers to function freely because of the executive interference. That is why I am making this suggestion. If the Government feels to improve the image of the Government which has been tarnished by so many bigger scandals, let them do it. Otherwise, let them use this machinery to what we call as cover up. I can only use the expression 'cover up' their frauds. If they want to use it, let them use it.

Sir, the last point that I would like to touch upon is about the action taken by the Government. In Volume-II of this Report, the cases were registered against six officers only. During the past eighteen months, the JPC tried their best to dig out so many informations, even though there is non-cooperation from various agencies. They have tried their best. For this Report, they need to be complimented by the House.

With regard to anti-corruption cases, only six cases were registered against this whole scam. I do not know, what the Finance Ministry or other authorities not to book all other officers. At page 56, the names of umpteen number of officers have been listed who have been involved in this scam. For doing

that, they do not require the verdict of the JPC. They should have taken action against these officers. Ten top executives of the nationalised banks have been involved in this bigger scandal and not even a single top executive has been suspended up-till now. What made the Government not to proceed against those top executives? I am unable to understand that.

Sir, now I come to the system of appointing directors of the Reserve Bank of India.

MR SPEAKER: That should be your last point.

SHRI H.D. DEVEGOWDA: Should that system continue? Is it the liberalisation of our economic policies that has come in the way of appointing these directors. To nominate the Directors the Central Board of the Reserve Bank for a period of ten years was taken. Five Prime Ministers have gone. I do not know, what is the system that is prevailing today? This system needs a thorough overhaul and we have to improve the system. The other point is...

MR SPEAKER: No other points please.

SHRI H.D. DEVEGOWDA: Sir, I would like to conclude. The RBI Governor spent his time in appointing top executives or the Chairmen of the nationalised banks instead of taking steps against those people who were the main culprits in this whole scam.

Sir, lastly, I would like to conclude by saying one word. The Government should be determined to bring certain amendments to the existing laws and even if necessary amendment to Constitution. With the connivance of the

corrupt politicians—I would like to make myself clear that I am not saying that all people are corrupt—during the last 47 years, what we have seen is that nobody has been prosecuted under the Commission of Inquiry Act and nobody was sent to jail. There were only two people—the Ex-Chief Minister of Maharashtra, Shri A.R. Antulay, had suffered for ten years because of various political rivalries and the other Ex-Chief Minister which is now facing a CBI inquiry is from Karnataka. What were the circumstances? I know that they are harassing the political opponents by this machinery. That is why I would like to ask the Government to apply their mind and these agencies should be totally kept away from the clutches of the executive. Otherwise, you cannot bring in any remedy to this present system. In my humble opinion, I think, the Government will consider this and improve the present rotten system prevailing in this country. *(Interruptions)*.

MR. SPEAKER: Thank you.

(Interruptions)

MR. SPEAKER: Mr. Chitta Basu may speak. Please speak for just two minutes.

(Interruptions)

[Translation]

SHRI NITISH KUMAR: I would like to give one information. Sir, it is being mentioned that the hon. Prime Minister is busy in meetings with the Lord Chancellor and in other things. However, the fact is this that the hon. Prime Minister is busy in engineering defections from Janata Dal (A). Since you are not aware of this, that's why I am giving this information. The

august House is discussing the report of JPC but the hon. Prime Minister has got no time to participate and is busy in engineering defections... *(Interruptions)*

[English]

MR. SPEAKER: I am informed that the Prime Minister is going to come to the House. I do not know whether that information is correct or not.

[Translation]

SHRI NITISH KUMAR: You have been misinformed... *(Interruptions)*. The hon. Minister of Parliamentary Affairs has misinformed you. The hon. Prime Minister has all the time to engineer defections from a party but has got little time to attend discussion on JPC. He has no time to participate.

MR. SPEAKER: Let Shri Chitta Basu be allowed to speak.

(Interruptions)

SHRI SHARAD YADAV: At least listen to me.

SHRI NITISH KUMAR: The question is whether the hon. Prime Minister will take part in the discussion on JPC or not? We will listen to Shri Manmohan Singh only if the hon. Prime Minister agrees to come to the House and also agrees to reply to all the questions. Otherwise reply will not be possible. *(Interruptions)*.

[English]

MR. SPEAKER: This is not correct.

(Interruptions)

MR. SPEAKER: This is not correct. This is avoiding to hear what Shri Manmohan Singh has to say about the Government's position.

(Interruptions)

MR. SPEAKER: No it is not in that way.

(Interruptions)

[Translation]

SHRI NITISH KUMAR: We can listen to Shri Manmohan Singh provided the hon. Prime Minister is prepared to reply to the discussion. When the hon. Prime Minister has got all the time to engineer defections then how is it that he is not having time for replying the debate? How can he ignore the discussion?

SHRI RAJVEER SINGH (Aonla): The hon. Prime Minister is sitting comfortably in his office and trying to engineer defections but he is not prepared to come here to participate in the discussion ... *(Interruptions)*

SHRI SHARAD YADAV: Mr. Speaker, Sir, all of us including Shri Vajpayee had emphasised that the presence of the hon. Prime Minister is necessary when discussion is going on on an important matter. At that time you informed us that the hon. Prime Minister is busy in an engagement with a foreigner... *(Interruptions)*

[English]

MR. SPEAKER: My information is this. Yesterday, I was told that he was not well. Today, I was told that he had to meet Lord Chancellor. I do not know.

(Interruptions)

[Translation]

SHRI SHARAD YADAV: You are right. But I am not referring to you. I am referring to some other matter... *(Interruptions)*

SHRI RAJVEER SINGH: When he is present here why can't he come to the House and listen to the discussion... *(Interruptions)*

SHRI SHARAD YADAV: Mr. Speaker, Sir, you have been misinformed. I am not referring to what you have said. I am only stating that you have received information through the Government. Many journalists and hon. MPs. have also informed. Shri Ajit Singh has been expelled from the party by us. Shri Ajit Singh waged because of his principled role in Lucknow. We are not worried, you can admit them in the party. I would like to submit that while an important discussion is on in the House, defections of those with different ideologies are being engineered. Though the hon. Prime Minister has got no time to come to the House yet for defections he has all the time to spend. The hon. Prime Minister is having time for press briefing and photo sessions but nobody is prepared to take part in the discussion on the embezzlement of Rs. 5000 crore of public money.

Mr. Speaker, Sir, I only want to bring to your notice that even you have been misinformed. You should definitely make inquiries regarding the authenticity of the information furnished to you... *(Interruptions)*

[English]

SHRI CHITTA BASU (Barasat): Mr. Speaker, Sir, we have been discussing

the JPC report. The JPC report is qualitatively unique. It is illuminating. It is path-breaking. It is comprehensive, yet concise and specificity-oriented. It has made certain valuable recommendations in order to save our economy, in order to save our parliamentary democracy, in order to ensure the democratic values for our country. I want the Government to accept this report and its recommendations in full and implement it completely as soon as possible.

The report covers large areas. It covers a large canvas. It covers irregularities, acts of omissions and commissions in a number of ministries and departments. It indicts upon certain Ministers also. The coverage includes the Department of Public Enterprises, Department of Company Affairs, Ministry of Chemicals and Fertilisers, Ministry of Petroleum and Natural Gas with particular reference to the minister in charge of the department.

Some major public sector undertakings, namely, ONGC, Air India, OIDB, Maruti Udyog, Power Corporation, etc., etc., have also been named. My simple demand is that in order to save the economy, in order to see that the democratic progress is ensured in our country, there should be a thorough investigation into all these names, all these organisations, all these personalities whose names have been mentioned.

Mr. Buta Singh...

MR. SPEAKER: No comments now. There is no time for that.

SHRI CHITTA BASU: Mr. Buta Singh has sought to dilute the recommendations in the report of the JPC. It is not fair. It is a unanimous report.

It is to be taken as a report of the mini-Parliament. If we reject it, if we do not implement it, it will be an insult and denigration to the Parliament itself. It will reduce this parliamentary institution into a laughing stock.

I think, the moral of the report is:

"No system can work through regulations alone. Of course, it cannot work if they are flouted. But much more than that, if a system be devoid of moral quotient, of a commonsense application of right from wrong, of a sense of public duty, particularly when entrusted with public funds, then it cannot work."

This Parliament in its gravity, in its endeavour, in its tradition should heed to this moral which has been given in the laborious report.

There are certain gaps in the report. Simply I want to draw your attention to it. I want the Government should also pay attention to these gaps. The role of the Unit Trust of India, Life Insurance Corporation, and LIC Mutual Funds requires to be investigated.

The report has made several observations regarding the nexus between industrial houses, banks, brokers and bureaucrats, Reliance industries Limited, United Breweries and Apollo Tyres. These names have been mentioned in the report. I want that a particular attempt should be made...

MR. SPEAKER: No, no; please do not take other papers in hand. Now you have made the point.

SHRI CHITTA BASU: A particular phenomenon has been brought to the

[Shri Chitta Basu]

notice of the House, that is, the phenomenon of promoters' quota share. This has been one of the means to woo the highly placed bureaucrats. The names of Ministers officials and ministries have come to light.

There is also another unhealthy practice. That is called 'insider trading'. I think, as soon as possible, some legislative measures have to be taken to curb these practices. After all, this Parliament has evolved certain traditions and conventions wherein it is established and accepted that the ministerial responsibility prevails, not the individuals, their integrity or anything else.

Therefore, the Ministers whose names have been mentioned, should resign by themselves and if they do not resign, the Prime Minister should take appropriate action. In conclusion, I want to request the House to accept the report *in toto* and urge upon the Government to implement it as soon as possible in deference to the wish of the Prime Minister himself when he is saying that he feels that there is a need for a comprehensive inquiry through the instrument of Parliament which not only establishes parliamentary supremacy but also provides effective safeguard to protect the interest of the country. Truth has been unveiled and it is time for the Prime Minister and the Government to act on the truth. I think, ultimately, truth will prevail and democracy in this country will also survive from those who do not want to see that parliamentary democracy survives in this country by way of diversionary tactics and other methods.

THE MINISTER OF HEALTH AND FAMILY WELFARE (SHRI B. SHANKARANAND): Mr. Speaker, Sir, first

of all, I crave the indulgence of the House to listen to me without interrupting. I rise to speak today in Parliament when a very serious debate is taking place. The whole nation is looking to the debate and its outcome. It is true that the JPC has given its unanimous report; I have nothing to comment on that. I would only like to point out what the JPC has done in finding out facts; they have rightly done it and I will show it to you. The entire exercise of the JPC is finding out the culprits who have contributed to the scam and who have run away with the money. They have rightly gone into all the aspects of it. The report is full of details about the PSUs which have flouted the rules and regulations and the principles of investment. They have pointed out numerous PSUs under various Ministries. They have gone to the extent of finding out the PSUs which have not even looked at the various rules and regulations. They are innumerable. I do not want to take the time of the House in pointing out the same because much has been said on these points. They have pointed out the PSUs which have routed the funds through brokers without following any procedure of investment as laid down or rules and regulations. Not only that, they have found that funds have been invested over telephones without keeping any record as to how these funds have been invested by the PSUs. I hope the hon. Members will agree with these observations made. Overall investments were made by talking through telephones. Not only this, Sir, they have also found that many PSUs have invested into foreign banks, cooperative banks, private financial institutions and non-banking financial companies in order to make money through brokers on cheques or by cheques. Funds have been diverted in a very dubious way violating all guidelines and regulations. Diversion of funds through brokers has been enumerated.

In many companies, there has been a misuse of public funds through ready forward deals in foreign banks. While dealing with this aspect, the JPC report has stated that there are investments which have been made at a low rate of interest thereby causing huge losses. I would like to refer to para 14.33 in this regard:

"It is pertinent to note that the placement of funds with the banks was at rates, lower than the interest payable on the bonds.... resulting in lower return of Rs. 9.40 crore."

Now I quote para 14.41:

"Thus, these funds remained blocked for considerable period. Many companies gave concessions and invested monies at rates lower than the interest rates of the bonds, thereby incurring losses in the process. Their losses were compound further for various reasons."

Now I come to para 14.293.

SHRI SYED SHAHABUDDIN (Kishanganj): In between you missed paragraphs 14.161, 14.201 and 14.202.

SHRI B. SHANKARANAND: I am coming to that. Please let me complete. I have requested in the beginning itself not to interrupt me. If some hon. Members want to know anything, I will certainly clarify the position.

Now I quote para 14.293:

"... they may invest their surplus funds in such a manner so as to achieve optimum profits."

SHRI SOMNATH CHATTERJEE: You want to state here that everyone has done it.

SHRI B. SHANKARANAND: Let me conclude what I am saying. Then I will come to OIBD.

I quote from para 14.331:

"It is noted that these investments were not made at the highest rate of return, even though they were made with specific approval. This resulted in an approximate loss of Rs. 15 lakh to the society."

Now please see para 14.347:

"During the period from 1.2.91 to 22.4.91 the society made investments at a lower rate of interest although higher rates were available for these investments."

Sir, I don't want to take the time of the House. Innumerable instances have been quoted in the Report itself which show how the funds have been routed by cheques through brokers. As against this, what has the OIBD done? As against all these things, the OIBD which is a statutory body born out of an Act of parliament with proper rules and procedures laid down for investment, has examined the investment funds in greater details. The Financial Adviser in the Ministry is a nominee of the Ministry of Finance. He is the Secretary of the OIBD. All that we have done is that we have tried to invest funds with the nationalised banks which gave us the highest rate of interest. And for that I am being hounded! These are the facts. These are the facts reported in the Report itself.

I am not saying something which is

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not mentioned in the Report. Let me explain as to why this has been done. As I said, OIBD is a statutory body which has its own rules and procedures guiding the investment procedure and proposals. Is it a crime to invest surplus money in nationalised banks in order to earn the highest rate of interest? The Committee has said about it. I am being blamed both inside and outside the House. Editorials have been written on it. The JPC has done a right thing to mention about the OIBD in its Report. It says that it is only the OIBD which is invariably inviting questions in writings. This has already been said in the Report that the investment should be transparent. How can an investment be transparent unless it is recorded in writing? Can you examine any investment if there are no records? I would say that 90 per cent of the transactions went without record. JPC could not call for the facts. It could not say anything about it. But, since Shankaranand is the ex-officio Chairman of the body, who has approved the proposals for investment at the highest rate of interest, he is the guilty. I seek the indulgence of the House to please compare these two things. Is anything done beyond this?

SHRI NITISH KUMAR: *

MR. SPEAKER: It will not form part of the record. Insinuations and instigations made on the floor of the House should not form part of the record.

[*Translation*]

SHRI NITISH KUMAR: If these do not form part of the record then the debate in the House will lose its vibrancy.

MR. SPEAKER: I am not curbing anything but I shall expunge it from record.

[*English*]

SHRI B. SHANKARANAND: In Paragraph 202, the Committee says—although I do not agree with it—and I quote:

"Unfortunately, the officers failed. The Committee are of the view that the Secretary, OIBD, Financial Adviser and other officers responsible for fund management were negligent in the discharge of their duties, and the responsibilities should be fixed for the lapses."

I do not agree with this because none of the Officers has ever failed to give me correct advice. They have always given me the correct advice. They tried to find out a nationalised bank which gives the highest rate of interest and then funds were accordingly invested in that. Not a single paragraph of the Report says that I am directly or personally responsible. Ultimately, I am amazed to see the conclusion. What is the conclusion, Mr. Speaker, Sir? The conclusion was and I quote:

"The Committee are of the view that assumption of responsibility for placement of funds by Chairman of OIBD was uncalled for."

I never issued a sanction of this nature. The practice was there. The procedures were there. I simply followed them. I have not changed even an iota of the laid down practice and procedure for placement of funds. I have not done

* Not recorded.

anything. I have not all introduced any new guidelines for investment to help any person, institution or company so that they get the funds. I have not changed the existing guidelines also. In spite of that...
(*Interruptions*)

SHRI JASWANT SINGH
(Chittorgarh): Overwriting.

SHRI B. SHANKARANAND:
Overwriting. I am glad that you have raised this.

SHRI JASWANT SINGH: I have not raised it. I am not permitted to raise it.

SHRI B. SHANKARANAND: I am going to reply to that. The JPC had sent me a questionnaire. They had raised a question of an offer of over writing which gave the highest interest. They had all looked at my replies. It was classified that this offer had not been considered. It is on record. I welcome the Members belonging to any side of the House to look at the records as to whether any investment had been made in such a case. If that be so I am willing to resign. Let us see the records carefully. Mr. Speaker, Sir, I just followed the existing practice of investment. When there was any problem the Ministry of Finance was to be approached for the remedial action. We wanted the Ministry of Finance, Department of Banking to advice us, that if there is a defaulting company how to recover the money from them. That is all. From whom should we seek advice if not from the Ministry of Finance or the Department of Banking?

Now, I will quote para 14.205 for this purpose.

"The Committee are of the view that the assumption of responsibility for placement of funds by Chairman, OIDB was uncalled for."

Now, I want to know on what basis they are saying this. Do they have any evidence or record?

SHRI INDRAJIT GUPTA: Who was the Chairman? You were the Chairman.

SHRI B. SHANKARANAND: I was ex-officio Chairman of the OI DB. Under the rules I was the Chairman. Is it a *guh*nah to invest money in the nationalised banks?

SHRI INDRAJIT GUPTA: It is mentioned here.

SHRI CHETAN P.S. CHAUHAN (Amroha): It had been invested in the nationalised banks. That is why we had suffered a loss of Rs. 70 crore.
(*Interruptions*)

SHRI B. SHANKARANAND: I am not yielding. Let them ask any question after I conclude.

SHRI INDRAJIT GUPTA: The same thing is there in black and white.

SHRI B. SHANKARANAND: I quote:

"The Committee are of the view that the Minister acting as an ex-officio Chairman of such an organisation is not a healthy practice."

If you say that in the eyes of the JPC, it is a bad practice; but then this practice is according to the rules. It is not in my hands. I have not introduced this practice. I was following the practice as was then existing.

The J.P.C. Report says:—

"In the light of these observations, the Committee considered a sad

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duty to conclude that the two Chairmen of the OIBD during their relevant period did not discharge their responsibilities in consonance with the high office that they were holding."

Now, what is this — "responsibility" and "in consonance with the high office that they are holding"? I think the House will agree with me. I do not want to take much time of the House in reading out these relevant portions. There are so many other things to be said on these matters but they did not say anything. They have said that the PSUs have misused the funds. There was rampant corruption. The brokers were using the funds. No Minister's name had been written except mine. Will this House appreciate this? For this purpose my resignation had been called for Mr. Speaker? What wrong have I committed?

In this case two questions arise. Have I, at any time, changed, the then existing policy and practice in OIBD for inviting quotations and investment of surplus funds? Have I introduced any fresh guidelines to help any financial institutions? Has there been any breach of policy, practice and procedure with regard to investment of surplus funds? Is it not a fact that OIBD funds have been invariably invested in the nationalised banks and subsidiaries only by inviting offers invariably in writing, unlike all other PSUs which have invested only on telephone talks, blatantly violating the norms, procedures and rules regarding investment? Is it not a fact that OIBD which has invested its funds in nationalised banks, always preferred the financial institutions giving highest rate of interest? What crime have I done? (*Interruptions*)

I now want to come to the remarks made by the Leader of the Opposition yesterday. (*Interruptions*)

[*Translation*]

SHRI NITISH KUMAR: Sir, this is not mere system failure.

[*English*]

SHRI B. SHANKARANAND: He spoke the moral responsibility. I agree. I do not disagree. If the Leader of Opposition would have been on this side, according to him, he would have definitely resigned. I do not think that he will get that opportunity at any time. (*Interruptions*)

SHRI GUMAN MAL LODHA: It is not you who is to decide, it is the people's desire to bring him there. (*Interruptions*)

SHRI B. SHANKARANAND: I have the highest regard for the Leader of Opposition. When he spoke of moral responsibility, could not Shri Vajpayee speak or whisper a little to his left side to resign on moral responsibility.

What is moral responsibility? When they have demolished Babri Masjid, divided the country on communal lines, where is their moral responsibility? When they are being tried in criminal courts, is there only moral responsibility? (*Interruptions*)

SHRI B. SHANKARANAND: I am sorry, Sir, this is what I have to say. I have done my job. The rest of the things, the Finance Minister will reply.

SHRI INDRAJIT GUPTA: Sir, one small point because I am getting confused. As I understood, you say that the

funds of this OIBD were invested invariably and only in public sector banks. But paragraph 14.202 says:

"More astonishingly these funds of OIBD were widely used in making investments in equities of private sector companies."

SHRI B. SHANKARANAND: This is not based on facts. That is what I said and I stand by that.

SHRI SOMNATH CHATTERJEE: You invested in Canfina. Canfina is not a nationalised bank and you have utilised investments in private sector companies. That is what the finding is. Crores of rupees have been released from Canfina. If it was a nationalised bank, the Government of India is the surety for nationalised banks and not for Canfina.

SHRI B. SHANKARANAND: I will come to that. It is the laid down policy because it is defined in Rule 9 of the OIBD Act. There are rules. I have not made the rules and rules permit this investment in nationalised banks and their subsidiaries. *(Interruptions)*

SHRI SYED SHAHABUDDIN: I refer to page 108 of Volume II. *(Interruptions)*

[Translation]

SHRI NITISH KUMAR: Is he intervening or making a reply?

SHRI ATAL BIHARI VAJPAYEE: Mr. Speaker, Sir, it should be made clear though we are prepared to listen to the hon. Minister of Finance yet we would like to have an assurance that the hon. Prime Minister will reply at the the end. Intervention of the hon. Minister of

Finance can only be constructed as intervening speech and not the final reply. Otherwise it will be gross injustice to the august House.

18.00 hrs.

[English]

THE MINISTER OF STATE IN THE MINISTRY OF EXTERNAL AFFAIRS (SHRI R.L. BHATIA): It is not obligatory for the Prime Minister to reply to this debate. *(Interruptions)*

THE MINISTER OF WATER RESOURCES AND MINISTER OF PARLIAMENTARY AFFAIRS (SHRI VIDYACHARAN SHUKLA): Sir, according to rule 193, the Minister has to reply to the debate and the Finance Minister is going to reply to the debate and not the Prime Minister. *(Interruptions)*

SHRI JASWANT SINGH: Mr. Speaker, Sir, I have a point of order.

MR. SPEAKER: I will now hear your point of order.

SHRI JASWANT SINGH: Sir, there are two aspects in this. With due respect to the hon. Minister of Finance, I want to know whether he is standing up here today and replying to this debate as the Minister of Finance or he is replying in his individual capacity. If he is replying to this debate in his individual capacity, then as a Member of the other House, he has no right to reply in individual capacity to this debate because he is an outsider. If he is replying as the Minister of the Cabinet, let the position first be cleared as to what was the status of his resignation. His resignation is not to the Minister of Parliamentary Affairs. His resignation is to the Prime Minister. This clarification can

[Shri Jaswant Singh]

[Translation]

come only from the Prime Minister. This clarification about the status of the Minister of Finance has to come from the leader of the House, the Prime Minister alone. That is my point.

SHRI VIDYACHARAN SHUKLA: Shri Manmohan Singh is the Finance Minister of India and in that capacity he is replying to this debate. *(Interruptions)*

SHRI SOMNATH CHATTERJEE: It is very easy for an arrogant attitude to be taken by the Minister for Parliamentary Affairs. He is giving a diktat as if we are his subordinates.

MR. SPEAKER: No.

SHRI SOMNATH CHATTERJEE: Shri Shankaranand has rightly pointed that the apart from his former Petroleum Ministry, Railway Ministry, Fertiliser Ministry and many other Ministries are involved in this. How can the Finance Minister reply to that? We do not know whether he has tendered his resignation or not. This was not officially told to us. But we are discussing this matter since yesterday. How can the Finance Minister reply with regard to other Ministers? And whether Mr. Shankaranand should act or not, only the Prime Minister can say. Therefore, what is the good of hearing the reply of the Finance Minister? What authority has he got to reply to this debate?

SHRI VIDYACHARAN SHUKLA: The rule of Parliament says that any Minister of the Government can reply on behalf of the Government. The only thing he requires is, Sir, your permission. Sir, with your permission or your indulgence, I can speak on behalf of any Minister, any Department and any Ministry. *(Interruptions)*

SHRI ATAL BIHARI VAJPAYEE: Mr. Speaker, Sir, you would appreciate that this is a special discussion and not only the Finance Minister but other Ministers, Ministries and the entire Government are in the dock. You had just said that the hon. Prime Minister was keeping good health and he was meeting foreign delegates. You had also said that the hon. Prime Minister would come to the House.

MR. SPEAKER: This is what I was told.

(Interruptions)

SHRI ATAL BIHARI VAJPAYEE: What is the need to change that?

SHRI HARI KISHORE SINGH (Sheohar): Mr. Speaker, Sir, now it is not only about the charges of the opposition, the hon. Prime Minister has also to reply to what Shri Shankaranand Ji said here. *(Interruptions)*

SHRI SHARAD YADAV: Mr. Speaker, Sir, you had given an assurance here. *(Interruptions)*

SHRI LAL K. ADVANI: Mr. Speaker, Sir, you may recall that we had said also at the time when the JPC was constituted that in view of the latest scam, the JPC should not be bound by certain rules. Thus, a special motion was brought and we accepted the proposal that generally ministers are not summoned before any Parliamentary Committee but if need be, the Ministers will be called before this Committee with your permission. I would like to say in the same context that when a little while ago it was said here by all the Members that the hon. Prime Minister should be present in the House to reply to the debate. As per the rules, the presence

of the hon. Prime Minister is not necessary but because of the importance attached to this discussion, it was felt by everybody that the Prime Minister should be present in the House. If the hon. Prime Minister does not participate in the discussion, no proper solution will come out of the discussion. The reply to the debate is being given by a Minister who has since tendered his resignation after accepting his responsibility in the wake of the report of the JPC. That's why, you should not give your decision in this case on the basis of the rules... (*Interruptions*)

SHRI NITISH KUMAR: Mr. Speaker, Sir, you had said that the Prime Minister wanted to come; he is expected and he is meeting foreign guests....

MR. SPEAKER: I had said this on the basis of the information I had received.

SHRI NITISH KUMAR: When you said it, we had got this impression that the Prime Minister would come and have his say. So far as listening to the views of the Finance Minister is concerned, if he wants to air his views and defend himself as the Finance Minister, he may do so. But cabinet Minister of this Government Shri B. Shankaranand has clearly stated that nothing much has happened in his Ministry as compared to Ministry of Railways, Nuclear Ministry, Ministry of Fertilizers etc. and most of these departments are under the direct control of the Prime Minister... (*Interruptions*)

SHRI B. SHANKARANAND: No, I did not say it.. (*Interruptions*)

SHRI MUKUL WASNIK: It is totally incorrect. Mr. Nitish Kumar, you cannot say whatever you feel like. This won't do.... (*Interruptions*)

SHRI NITISH KUMAR: You will be able to understand me only if you hear me completely. Shri Shankaranand has just now said that his Ministry was not involved to a great extent whereas other Ministries are gently involved in it. When a Cabinet Minister takes such a view, then only the hon. Prime Minister can dispel the doubts. So, Sir, the Prime Minister should be called as was promised by you. The Minister of Finance can also speak but the Prime Minister will have to be present at the time of the reply. We won't accept the statement of the Finance Minister in the absence of the Prime Minister. It is a special debate and you have made a provision for such a permission in the extraordinary circumstances. So, we seek your protection. It is a question of the prestige of the House. If you yourself do not protect the prestige of the House, than the members belonging to the ruling party will destroy the parliamentary system. That's why, we would urge upon you to protect it.

SHRI MUKUL WASNIK: Mr. Speaker, Sir, nobody wants the parliamentary system to go astray. He should not make such irresponsible remarks. This is wrong.

SHRI CHANDRA SHEKHAR: Mr. Speaker, Sir, so long as the resignation of the Finance Minister has not been accepted, I consider him the Finance Minister and that's why, he has a right to speak here. He is not only a Member of Rajya Sabha but also a member of the Cabinet. So far as this discussion is concerned, involvement of several departments have been mentioned. It is not a question of departments alone but also a question of policies. This discussion has been going on unnecessarily since yesterday in which Mr. Manmohan Singh is being arraigned. Poor Mr. Manmohan Singh has not done anything wrong. I am

[Shri Chandra Shekhar]

not saying it jokingly. All these policies have not been formulated for India alone but for the whole world and these have been implemented in our country. The Finance Minister has implemented those and the Prime Minister has extended protection to them. The Prime Minister has given political protection to these policies. The Finance Minister has done what other underdeveloped countries are doing under pressure. They have their limitations and problems. So, the best course would be that after the hon. Finance Minister, the Prime Minister also says something in this House. I had said this in beginning but hon. Members had opposed it. If sometimes the Prime Minister speaks in such circumstances, then the prestige of his post will be maintained and the prestige of India, which is going downward, may also be survived. So, Mr. Speaker, Sir, we got some hope when you said that the hon. Prime Minister was expected to come here.

Please do not refer to rules. Your ruling will be final according to rules and I believe that your ruling should be accepted. If you say that the Prime Minister would not come, we will accept it. Because views keep changing in this ever changing world. But, Mr. Speaker, Sir, please you should not change your views so quickly. Let them change their views, I do not mind. You were informed that the Prime Minister wanted to come but our hon. Minister Shri Shukla has now said that he cannot come. They may change but please tell them not to make you change your views.

[English]

SHRI SOMNATH CHATTERJEE: Sir, it is a question of propriety and dignity of the House.

MR. SPEAKER: Will you quote some precedent?

SHRI SOMNATH CHATTERJEE: I will quote nothing else but the Prime Minister's own statement which is nothing but a commitment to this country.

SHRI MRUTYUNJAYA NAYAK: Under which rule? (*Interruptions*)

MR. SPEAKER: Which is the precedent that only Prime Minister can reply, I would like to be enlightened.

SHRI SOMNATH CHATTERJEE: Sir, I am only on that. I am quoting the Prime Minister on the floor of the House from that place. I quote:

"I feel that there is 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, therefore, 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 unveil the truth and ensure the smooth transformation to a vibrant economy in the larger interest of the nation."

That is the very basis on which the Committee was appointed; deliberations had taken place; report has been given. He has given his commitment that it is his desire and purpose. That is what he had said. Therefore, he had suggested that the Committee should be appointed. Now, today, we are being told, after all this special discussion, that he has no time for

this Parliament of India when Rs. 5,000 crore are involved; when 30 Members of Parliament, for 18 months, have gone into this issue. Members from that side and this side, everybody has said that such a scandal has never happened in India. And now the Prime Minister of India has no time to come forward and he is taking cover under a Minister who has resigned and has not got the courage to say that he has not resigned. We cannot be a party to it. (*Interruptions*)

SHRI VIDYACHARAN SHUKLA: Sir, I have to inform the Chair that the Prime Minister will be in the House. He will come to the sitting of the House and he will be present during the Finance Minister's reply. (*Interruptions*)

SHRI SOMNATH CHATTERJEE: That is not the point. (*Interruptions*)

[*Translation*]

SHRI SHARAD YADAV: Mr. Speaker, Sir, the moment you took the Chair, we had raised the issue whether the hon. Prime Minister would come or not. It is not your fault. This is being discussed for two days. The issue relates to Public Undertakings. One hundred and fifty Departments are involved in it, but only 20 or 25 Departments have been inquired into. There are so many Departments under the charge of the Prime Minister. I want to submit that if the hon. Minister of Finance above replies here, the purpose of this discussion is not served. The entire august House will be pained to accept it. The sole competent and accountable person in the Government is the hon. Prime Minister. It will be better if he arrives here and replies to the discussion.

SHRI RABI RAY (Kendrapada): Mr.

Speaker, Sir, I would like to tell you something provided you do not pick up the rule book. (*Interruptions*)

[*English*]

SHRI MUKUL WASNIK: Not from a former Speaker, Sir,

[*Translation*]

MR. SPEAKER: You are also asking me to go beyond rules.

SHRI RABI RAY: On certain occasions, the Speaker has to rise above normal rules while giving his decision.

Mr. Speaker, Sir, this committee was set up under very strange circumstances. You have made a very good decision in permitting a debate for two days. About six days back the hon. Minister of Finance tendered his resignation. News to this effect has appeared in all the newspapers of the world... (*Interruptions*)

It has not appeared in English newspapers. But it has appeared in almost all other newspapers. We are sitting here in the House chaired by you for two days but the Parliament has not been taken into confidence so far. I want to know whether the resignation of the hon. Minister of Finance has been accepted or not. The Prime Minister came here but he did not speak anything in this regard. Therefore, I consider it an abnormal situation. No Department of the Government of India has been spared in this report. They all, including the Prime Minister's office, have been covered in it. The general rule is that the person nominated by the Cabinet or the Prime Minister should reply to the debate. Therefore, an extraordinary solution is

[Shri Rabi Ray]

required for the resolution of such an abnormal crisis, I would like to tell the Congress Members that it will be in their interest. The Prime Minister himself should come here and reply to the debate. This will enhance the dignity of Parliament. This abnormal situation should be resolved in an extra-ordinary manner and therefore, you should not fetter yourself by the rule book.

SHRI NITISH KUMAR: There are both rules as well as convention. You should set up a new convention. We have high hopes from you.

[English]

SHRI MRUTYUNJAYA NAYAK: Mr. Speaker, Sir, I am on a point of order.

MR. SPEAKER: What is your point of order?

SHRI MRUTYUNJAYA NAYAK: Sir, you are the upholder and the custodian of the rules and the procedures of the House. Being the former Speaker of the House, Mr. Rabi Ray is suggesting to go beyond the rules. So, I would request you to uphold the rules. (*Interruptions*)

SHRI PAWAN KUMAR BANSAL (Chandigarh): Mr. Speaker, Sir, I am aghast to hear the hon. senior Members propound a theory that a Minister in the absence of his resignation being accepted is not really the competent person to speak in this House. Perhaps equally perturbing is the sort of interpretation that Mr. Rabi Ray intends to place on the rules. I would like to refer only to Rule 193. It says that in a discussion of the type that has taken place today a Minister shall make a short reply.

MR. SPEAKER: I do not need this long argument.

SHRI PAWAN KUMAR BANSAL. Sir, you would kindly recollect that earlier in cases like this, only the concerned Ministers had replied. In this case relating to securities scandal, the right person to reply is none other than the Finance Minister.

[Translation]

SHRI ATAL BIHARI VAJPAYEE: Mr. Speaker, Sir, I know that you will refer to rules.

MR. SPEAKER: It will be clear only after listening to me as to what I shall refer to.

SHRI ATAL BIHARI VAJPAYEE: I admit that the business of the House should be conducted according to rules only but the House.... (*Interruptions*) I am being asked to think over it in accordance with the rules. As I stated earlier, today the session will be over. The important discussion for which two days were allotted, is in its final stage. We want to hear the hon. Minister of Finance, he should participate in the debate, and give his explanation. It is necessary and natural as well. But taking the vastness and seriousness of the debate into consideration only the Prime Minister and no other Minister can reply competently. If the hon. Prime Minister is prepared to reply we should be informed about it, otherwise we will miss the explanation of the hon. Minister of Finance. I hope that the ruling party will not create such a situation. (*Interruptions*)

MR. SPEAKER: Please sit down. I have heard enough of sermons.

SHRI NITISH KUMAR: Whatever you speak will become a new convention.

MR. SPEAKER: Shri Nitish Kumar has already spoken. I am presenting my views not on the basis of rules only. As I mentioned earlier the rule does read:

[English]

"There shall be no formal motion before the House nor voting. The member who has given notice may make a short statement and the Minister shall reply shortly."

This is the rule. But I am not only relying upon the rules. This is a matter which has spread over many Ministries. But the nodal Ministry, if you have to recognise is the Finance Ministry.

Secondly, about the Finance Minister, you say about many other things. Until I get authentic report, I have to continue to hold him what he has been. And then, he has been sitting from the morning to the evening taking notes and carefully hearing all arguments which you have given. I am really very happy. I am not saying just to get the cooperation of the Members but the standard of debate has been quite good. After this kind of debate, if a situation arises in which the point of view of the Government or the Treasury Benches is not projected, it remains incomplete.

My appeal to you, my request to you is, you please hear the Finance Minister what he has to say and then you can come to any conclusion you like.

(Interruptions)

MR. SPEAKER: It cannot be done against the rules. I will request you that

you are giving a wrong signal to the country on such matters. You are not ready to hear. You cannot compel anyone to speak or not to speak.

(Interruptions)

[Translation]

SHRI ATAL BIHARI VAJPAYEE: We would like to listen to the Minister of Finance....(Interruptions).... We do not agree with you and we walk out from the House.

18.24 hrs.

(At this stage, Shri Atal Bihari Vajpayee and some other hon. Members left the House.)

SHRI SHARAD YADAV: Mr. Speaker, Sir, I would like to say one thing. I had already said in the very beginning....(Interruptions)....

[English]

SHRI SOMNATH CHATTERJEE: We have hoped that the earlier observations that you have made will be heeded to by the Government of India, by the Treasury Benches and proper respect should be given to Parliament. It would have been a meaningful end to the debate if the hon. Prime Minister could have shown a little respect to this Parliament. It is a deliberate affront to the Parliament. (Interruptions) We are walking out.

18.25 hrs.

(At this stage, Shri Somnath Chatterjee and other hon. Members left the House.)

(Interruptions)

[Translation]

SHRI SHARAD YADAV: Mr. Speaker, Sir, I would like to say very humbly that we had expected the Government to give proper reply to the debate. You too had assured us that the Prime Minister would definitely come here and intervene in the proceedings....(Interruptions).... Despite it, the Minister of Finance is giving reply on behalf of the entire Government. We seriously feel that the reply given by the Minister of Finance is not sufficient....(Interruptions).... Because we feel that the Prime Minister is also involved in this matter....(Interruptions).... that is why, we expected the reply from him. We demand that the entire Government should resign.... (Interruptions) But now we have come to the conclusion.... (Interruptions) Till now, we had listen to the views of all of you in this House. It does not mean that the Government would try to reject the report of the JPC in this manner. It was beyond our imagination. Shri Vidyacharan ji had assured us that the Prime Minister would be present here and he would also intervene in the proceedings and he would try to resolve our queries but it has not been done. He has not performed his duty. He has devoted his entire day in arranging defection and did not come here... (Interruptions) Now then can speak in front of the vacant opposition benches. I would like to say that they are misleading the people of the country... (Interruptions)... This Government should resign. I conclude with these words and we are walking out.

18.27 hrs.

(At this stage, Shri Sharad Yadav and some other hon. Members left the House.)

(Interruptions)

[English]

SHRI INDRAJIT GUPTA: I am sorry I cannot shout like this. If the Minister for Parliamentary Affairs is willing to clarify that Dr. Manmohan Singh will be intervening in the debate, we are quite prepared to listen to him. But if we are told that "No. This is the conclusion of the debate and he is replying on behalf of the Government to the whole debate," then I am very sorry to say that we have to absent ourselves. Let him clarify.

SHRI VIDYACHARAN SHUKLA: I have already said and I will again repeat that Finance Minister Dr. Manmohan Singh will reply to the debate and the Prime Minister will be present during his reply in the House.

SHRI MURLI DEORA: In case he wants to intervene, he can.

SHRI INDRAJIT GUPTA: Are we expected to wait till the Prime Minister comes? We are walking out.

18.28 hrs.

(At this stage, Shri Indrajit Gupta and some other hon. Members left the House.)

(Interruptions)

SHRI MANMOHAN SINGH: Mr. Speaker, Sir, I join other Members of the House in expressing my deep sense of appreciation and gratitude to the Members of the Joint Parliamentary Committee and particularly to its esteemed Chairman for a thought-provoking report presented on the massive security scam.

The Committee has highlighted

serious weaknesses in the functioning of our financial system, the weaknesses which have persisted at least since the mid-80s and which have been exploited by an unscrupulous group of stock-brokers, bankers and others in collusion with them, with the objective of diverting public funds from the banking system into the stock-market in an irregular and at times in an illegal manner.

The Committee has made several recommendations. As the hon. Minister for Parliamentary Affairs pointed out, it will take quite some time before we complete our examinations of all the recommendations. But I wish, through you, to assure this august House that our Government takes the Report of this august Committee very seriously and that we are determined to ensure that all its recommendations are given the careful attention that they deserve. *(Interruptions)*

Sir, I am today speaking as the Finance Minister of the country. *(Interruptions)*

MR. SPEAKER: I am not going to allow Shri Kalp Nath Rai to break the desk.

(Interruptions)

SHRI MANMOHAN SINGH: The Committee has said many things about the conduct of the Ministry of Finance and the conduct of the Finance Minister. At the outset, I wish to point out that I accept full constitutional responsibility for the actions or events which pertain to the areas of responsibility entrusted to the care of the Ministry of Finance. There are various interpretations of ministerial responsibility. I have been reading in the last few days some of these reports, the views of the Fulton Commission—several other Commissions have reported in

Canada, in Australia, in the United Kingdom—but I am not going to take shelter under constitutional niceties. I do accept the proposition that as Finance Minister, I have a responsibility to this House, to the Prime Minister and to the people of this country. And, whatever punishment this House in its wisdom would choose for me, I will gladly accept that.

Having said that, I do wish to deal with certain matters not to criticise the Report of the Committee but to point out certain issues which probably, through oversight or because of the pressure under which this Committee was working, have not received the attention that they deserve.

Sir, the Committee has criticised the Ministry of Finance on four basic points. First of all, the failure to anticipate the problem; second, respond to it purposefully when it first surfaced; third, manage adequately thereafter the consequences of it; four, apply the needed correctives with despatch; and five, punish the guilty in time and resolutely.

The Committee itself has pointed out that these irregularities were going on for many years particularly the misuse of the Public Sector Units' funds through the Portfolio Management Scheme; the misuse of the BRs; the misuse of the SGL—they have all been going on since at least 1986. And, it is a matter of deep personal regret to me that during the first nine months that I was in office, these irregularities got accentuated. Our Banking System suffered a grievous loss and it has saddened me intensely that in a country where we cannot fully provide funds to meet needs for such basic things as education for our children, decent health care for the rural people, where we

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lack adequate resources for our anti-poverty programmes, a group of unscrupulous people should have the audacity to rob our country of such a large sum of money.

At this stage, I can only say that our Government is fully determined to punish all those who are responsible for this. But I do want to submit to this House about my own role in this scam. The period for which I was concerned was the period from 24th June when the Prime Minister very kindly appointed me as Finance Minister to the month of March or April, roughly a period of nine months. And this House is entitled to know what I was doing this period.

The first charge against me is that I failed to anticipate the problems. Respectfully, I do not plead guilty to this charge. And as proof of this, I draw the attention of this august House to the Budget Speech that I made on the 24th of July, 1991 and I draw your attention to paragraph 14 where I explicitly mentioned the grave weaknesses of our banking and financial system and that it was necessary to take basic remedial measure to correct these weaknesses. It is on that very occasion that I announced the appointment of a high-powered Narasimham Committee to look at the totality of the functioning of our financial system. And that Committee was appointed in a month's time. If you look at the terms of reference of that Committee they do show the awareness of some of the most important issues which have figured in the scam namely, the inadequacy of the internal control mechanisms of the banking system, the weaknesses of the supervisory arrangement in the Reserve Bank. I was

vaguely aware of it that these are the structural weaknesses of our system. That is why, these were explicitly mentioned in the terms of reference, the notification of which was issued on the 14th of August. With your indulgence, I read out specifically item 6:

"To review the existing supervisory arrangement relating to the various entities in the financial sector in particular, the commercial banks and the term lending institutions and to make recommendations for ensuring appropriate and effective supervision."

I was aware of the basic weaknesses of our financial system though I was not aware that some people sitting in the State Bank or in some other banks were robbing our banking system. And you would not expect, that as Finance Minister, I could sit either in the State Bank or in any other bank to discover that sort of thing when the top management of the bank did not know it. Nobody brought it to my notice.

In the same speech on the 24th of July, 1991 I referred to the fact that India's capital markets in the 1980s had grown in massive proportion. The Committee itself has mentioned those facts and that our capital markets have largely remained unregulated. The Stock Exchange Division of the Finance Ministry has no more than four persons. Even those four persons are not technically qualified people to understand the intricacy of the financial markets. Government after, great deal of consideration, had set up the Securities and Exchange Board of India as an advisory entity in 1988. But until I came on the scene, nobody gave it a status of a statutory board. In my very first month in office, I felt that this is a dangerous weakness in the supervision of

our financial markets. In my first budget speech, I announced in paragraph 15, my decision to give adequate statutory powers to SEBI.

In the course of the next four or five months, there were differences with the Department of Company Affairs, but with the blessings of the Prime Minister, we managed to resolve those differences and on the 30th of January, 1992 SEBI was made a statutory organization through an ordinance. That itself will disprove the fact that I did not anticipate this problem. More specifically, in the month of August, 1991 I recorded an explicit note which I sent to the then Minister of Banking and Insurance that our banking system was excessively prone to bank frauds and that it was, therefore, necessary to appoint a high-powered group to look into this matter. This was long before anybody talked of scam. In the month of August itself, I said that it was necessary for the Reserve Bank to appoint a high-powered group to go into this whole issue of why frauds were taking place, and what remedial measures could be taken to control this evil of frauds.

Then, Sir, when stock market prices started rising, I gave explicit instructions to the Governor of the Reserve Bank in September, 1991 which were incorporated in the credit policy which was announced in October that bank funds would not be used to fuel speculation in the stock market. Again, the prices up-till December were roughly reasonable. In the month of January, 1992 again, the prices started rising and in the months of January, February and March, I repeated the same instructions to the Reserve Bank that please make sure that bank funds were not being used to fuel speculation. I was assured by the Reserve Bank that credit policy with regard to financing of the share market

transactions was extremely tight and that there was no scope for bank funds being utilised to finance stock market transactions. Then a question arose in my mind: "How is it that markets are so bullish why are the prices rising, if the bank money is not going into that?" It is in that context that I told the then Finance Secretary that let us find out as to where are these brokers getting this money from. I did not order any raids on any individual entity; nor as Finance Minister I do so. This general instruction of mine was followed by the Finance Ministry's Income-Tax Department to organize a raid on Harshad Mehta on the 28th of February, 1992. We were trying to find out what were the sources of money which were feeding this speculative boom.

Then, Sir, unfortunately, the data that we got was in floppies and our people were not able to decipher it. And, therefore, we could not know for months as to how these transactions were being financed by this particular group of bankers. Even then, I asked the Reserve Bank Governor to pursue whether bank funds were illegally being used to finance these transactions. With my approval and explicit permission the Governor of the Reserve Bank met all the heads of financial institutions on the 10th of March. He asked them to look into leading stock brokers' accounts to see if something was wrong and it is out of that investigation that the Governor brought to my notice, some time on the 15th of March, that he suspected that bank funds from the State Bank were leaking to a particular broker.

I encouraged him to go to the root of the matter. That is how, Sir, all these investigations took place and it is how the scam came to the notice. I was not content with that, Sir. I decided to call the meeting of all the Heads of the Stock Exchanges in early March. But, Sir, I

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crave your indulgence to mention that was the period when I had to pilot the Budget; and the atmosphere last year was such that even before I could make the Budget, I was immobilised in this House, answering questions that I had leaked the Budget to the World Bank. I had to sit through, defending myself. But, even then, I called all the Heads of the stock exchanges, I discussed with them and I told them that the activities of the stock market and the behaviour of the stock market would bring the whole process of liberalisation into disrepute. I had, by that time, set up SEBI, I warned them that they will have to obey SEBI and that the Government will not brook any laxity on their part in not meeting with SEBI's directives, by which time SEBI had got all the powers.

So, Sir, this was my rôle during this period of nine months. It saddens me intensely to note the Committee's remarks in a sentence that the Finance Minister discussed all these matters in the meeting that he convened with the Stock Exchanges, but he did not discuss with them the prices at the stock markets. Sir, I have great respect for the Members of the Committee. But, I respectfully submit that it would have been highly foolish on my part to discuss it in the meeting of brokers where both bulls were present and bears were preset, and give them my views as to what I considered as the right level of the price index. If I had done that, millions and millions of rupees would have been made either by the bulls or by the bears. I discussed all the things which were wrong with the functioning of stock markets and which were feeding speculative activities. I did not open my mouth on prices deliberately and consciously because I thought that would be unethical and that I would not be worthy of being the Finance

Minister in giving the brokers what my idea of the right level of prices was. I thought that I should get some credit for this meeting and it saddens me immensely when the Committee says that it was sad that I did not raise the issue of prices in that meeting.

As I said earlier, I have great respect for this Committee. However, I do not plead guilty to another charge implicit in the remark that has been made that it is good to have a Finance Minister who does not lose his sleep, but something should wake him up when such cataclysmic changes happen. I became the Finance Minister at a time of grave crisis in the history of our country. Very few people gave our country three months to survive. They were predicting bankruptcy. With the guidance, with the approval and with the blessings of the Prime Minister, we met that crisis resolutely. Never, never in the history of India, in such a short period of time, a Finance Minister had to deal on so many fronts—a grave economic crisis, galloping inflation, collapsing fiscal system, collapsing balance of payments position, etc. I said on the very first day when I became the Finance Minister that we were in crisis, but we are going to convert this crisis into an opportunity.

That has been my ambition, with the blessings of the Prime Minister from day one. Within two months, I appointed the Narasimham Committee.

By November, 1991 we had a blueprint of the reform of the financial system. That reform process is now on.

Within a few months, I appointed a high-powered committee on the reform of the tax system. That committee's report has made ambitious proposals. They are under implementation. If implemented in a

three to four or five-year period, our country will have a new-look tax system.

In this very period, we mobilised a large amount of non-resident resources for India's balance of payments support. New investment policies were designed for foreign investment which generated a renewed confidence in our economy. But I did not allow all this to interfere or to neglect the fate of the financial system. What I have told you today is a vindication of that. Despite these and other numerous pressures on my time, I was fully alert that something was wrong with India's financial system, that, therefore, we must adopt basic remedial measures. At the same time, to the extent it is possible, we must deal with current problems. In July, 1991, we authorised SEBI to start inspecting all stock exchanges. The subsequent event was giving statutory powers to SEBI, in January, 1992.

Since then SEBI has not been very active in investor protection, in laying down codes of conduct for brokers, for other principal actors, in preventing the nefarious practices. For example, for 40 years, the pernicious practice of 'inside trading' has prevailed in this country. Those having inside knowledge have made fortunes at the cost of small and honest investors. We have stopped that thing.

Of course, the process of stock exchange reform which is under way will take time to be completed. In a few months' time, one of the best equipped national stock exchange will be in operation. A new stock exchange, Over-the-Counter Stock Exchange has already come into existence. So, I respectfully submit to you that in the light of what I have stated, I do not plead guilty to this charge that I was unconcerned or that I was sleeping or that I was using the rise

in stock market prices as a vindication of the Government's liberalisation policy.

Soon after I became Finance Minister, I was asked in my very first Press conference: "You are saying, our economy is going downhill, but the stock market is booming." I said: "A crashing economy and a booming stock market make no sense to me." I have repeated that thing in Parliament on a number of occasions that in all countries, stock markets fluctuate, that they can diverge from the fundamentals. Even today with all the knowledge that the West has, their Ministers of Finance do not know how to control a stock market. Therefore, to say that I was indifferent to the behaviour of the stock-market, because I took it as a vindication of the policies of liberalisation, I would respectfully submit, that it is not a proper appreciation of what I was seeking to do. It may be that I have not been successful in conveying this in adequate words to the hon. Committee. But I have this opportunity to render this explanation to this august House for its consideration for whatever its worth may be.

There have also been attempts to use some questions that were answered in Parliament to show that they bring out the relative lack of concern of the Finance Minister about the over-heated market. On the 28th of April, there was Parliamentary question and I read out the answer that was given at the time with whatever knowledge we had.

The answer mentioned:

"The general increase in prices of shares of companies listed on the stock exchange was mainly on account of expectations of investors generated by the improvement of overall economic environment and the rise in the level of foreign

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exchange reserves. Then, the relatively low level of floating of stock in the stock market and the excess of funds flowing into the market also contributed significantly to this increase."

About this excess of funds at that time, we did not know from where it was coming but by this time, we had recognised and we were aware that there were some hidden source of funds which were feeding this speculation. By way of refuting the charge that we were gloating over this rise in prices, I quote the remaining part of the answer which reads as follows:

"A healthy capital market is indicative of favourable investment climate and as such is conducive to the growth of capital formation. However, excessive fluctuations in stock market prices can give rise to undue uncertainty and dampen investors confidence."

This sentence itself will show that we were not using this rise in prices as a justification of our policy or that we were not concerned with what was happening in the market. Therefore, in the light of all this, the comment that the Committee have made is not proper. The Committee have said:

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

Finance did not act decisively in this matter."

I would respectfully submit that this is, to put it mildly, not a proper interpretation of what we did. The moment we knew that bank funds were illegally flowing into the stock market, we pursued the link and that is how, in fact, the scam came to notice and once the scam came to notice on the 30th April, 1992, I announced in the Houses of Parliament the appointment of the Janakiraman Committee. In the second half, on the 11th of May, I announced handing over the these cases to the CBI. In the first week of June, 1992 the first report of the Janakiraman Committee became available. The Prime Minister directed me that this report should be processed at topmost speed and I think never in the history of India we took no more than three to four days to issue an ordinance setting up a special court which provided for such draconian measures as confiscation of property. After that, it is an open story. Having handed over these cases to the CBI, we had to follow the due process of law and therefore, the charge that we did not punish the guilty or the offenders requires some reconsideration.

With regard to the punishment of bank officials, as soon as we became aware of the irregularities, in the first week of May probably, I called the Chairman of the National Housing Bank. It is unfortunate that when I told him of what I was planning to do, he went back and died. In the same way, regarding the Chairman of the State Bank, although he was not involved, he was an honourable man but I asked him to go on leave. The Chairman of the United Commercial Bank was removed. We have taken action against several other people. The Managing Director of the State Bank of India was removed. We have taken action

against some of the top officials of Syndicate Bank and several other banks. But we have to follow the due process of law.

19.00 hrs.

I would like to submit that our banking system is today faced with a very critical situation. Discretion is inherent in the functioning of the credit system. If we lay down rigid rules, the result will be that no banker will do any work. And since we have a public sector banking, they will draw their salaries, but no credit will be delivered where there is any uncertainty. Therefore, while punishing the guilty, it is necessary to preserve the morale of the banking system. I cannot bring into this country men from Mars to run the banking system! My role as the Finance Minister is to use the material that we have in this country.

Therefore, on the 16th May, 1992, a few days after the scam broke out, I called all the bank chairmen and I asked them to have a look at their systems and procedures and to plug all the loopholes. But at the same time, I told them that no honest banker need be afraid and that if any honest mistake was made, I as a Finance Minister would accept all responsibility. I have been impressing that on the bankers right from that day. But I must admit to you that there is a great deal of demoralization in the banking system. Our banks are not properly functioning today. People are afraid to take decisions. They are afraid that whatever little they do in banking sector, it may be wrongly interpreted. This is because you can interpret even an honest decision in more than one way. I would like to submit that an administrative mind is very different from the judicial mind. If you are an administrator, you have to take a decision where you do not know all the facts and the shape of

the future. The future is inherently uncertain and it is quite likely that in some cases, in retrospect, what you do, may turn out to be wrong. But we cannot simply say that we will not take decisions. If one were to do a post-mortem, one can find many reasons why another course might have been more justified. But commercial enterprises and public enterprises cannot function if we do not encourage a culture of performance and ensure that honest mistakes will not invite punishment. And we have to do that since our Government is deeply involved in business and economic life of the country.

When I was a student at Oxford, Sir Paul Chambers who was the then Chairman of the Imperial Chemical Industries came and gave a lecture on good management. He said in the meeting, "The future is so inherently uncertain that out of every ten decisions that I take, if in retrospect, five turn out to be correct, my shareholders will consider that a satisfactory performance. If out of ten, seven turn out to be correct, my shareholders will consider that to be an outstanding performance." But if we have a system where you expect that a man may be right in nine out of ten, but in one case he makes a mistake, and you will have a knife in him, I think that sort of a system is not going to deliver goods. This is the crisis of Indian public sector. This is the crisis of the Indian banking system. While reforming the banking system, while reforming the financial system, we have to pay attention to this aspect of the problem.

I have noticed that somewhere in the Report, the Committee have quoted me out of context. Shri Indrajit Gupta is not here. He has said that what is wrong with me is my mindset. And the Committee has also quoted one sentence from a reply that I gave to a debate in Parliament

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in August 1991. But it did not quote me in full. Since they have chosen to quote only two lines of my reply, I crave your indulgence to read the full paragraph from my first budget speech in July, 1991 which sets out my mindset. I quote:

"Our strategy has been twofold, first to release the entrepreneurial spirit and animal energy of our businessmen, industrialists and entrepreneurs to create wealth and second to protect the weak and the poor from exploitation and to ensure that they are provided basic needs and opportunities for development."

"...The Government would now concentrate its effort in providing these needs, social services and decentralised rural development through the building up of a rural agro industry which will provide a large scale economic opportunity and employment in our rural area. Therefore, even as we open our economy and become internationally competitive in our industrial sector, we are also planning to intensify our efforts at poverty alleviation and rural development."

This was the mandate given by the Prime Minister. I further said:

"We are, therefore, evolving our own model for development."

Chandra Shekharji is not here. He accused me once again, he has been doing that for the last two-and-a-half years, saying that I am following the World Bank's model or some other foreign model. I said in the same budget speech.

"We are, therefore, evolving our new model for development. Our new economic strategy and the new model have to be rooted in our own culture, tradition and ethos which is based on persuasion and democracy."

Sir, this was the paragraph. But, one sentence of that is being quoted that the Ministry of Finance is encouraging this predatory instinct while the Government is upbeat, only on liberalisation and neglecting prudential regulation and the sentence ends:

"While the Government is upbeat on liberalisation, it is simply oblivious to the needs for regulation."

Sir, if you have paid any attention to what I have said, no Finance Minister has been more worried about having a proper regulatory system in recent years than I. I mentioned in the very first month when I came into office that our stock markets which had remained unregulated for all these years needed a strong Securities and Exchange Board of India. This Securities and Exchange Board of India has met strong opposition from vested interests, brokers. In these last two years I have thrown the full weight of my authority in ensuring that SEBI's authority is respected by all concerned.

We have, as I mentioned, by now evolved rules to ban insider trading. We have laid down rules for Mutual Funds inspections, for brokers inspections, for the control of activities of all principal actors in the stock market. This was never done before. In the same way, Sir, in the banking system the root cause of the scam, which is called a system's failure was something like this.

In the eighties, Government's fiscal system was bankrupt. Therefore, Government pushed these public sector enterprises to borrow in the market. But, because we had such a huge fiscal deficit, interest rates at which these institutions could borrow, were very high. So, in order to mitigate the cost of interest, the Government in the eighties, since 1986, introduced the phenomenon of tax free bonds. Now tax free bonds had to end up in the hands of foreign banks because the tax rates that we had for foreign banks are as high as 65 per cent. Therefore, they had every advantage to grab these tax free bonds.

We had a partially regulated system, a partially free system — water finding its own level. So, it provided incentives for unscrupulous people to find ways and means to misuse the system. And, what was the state of our banking system?

In our banking system, nearly 60 per cent of the bank resources were lent to the Government or to the priority sector at below market price of interest. So, the banks could not offer attractive rates to the public enterprises and, therefore, devices were found to circumvent the Reserve Bank's regulation. That is how this Portfolio Management scheme came into being. That is how this Ready Forward device came into being. Since the stock market was booming and banks were not authorised to lend large scale money for the stock market through the open window, they found a back window and the public sector enterprises became a willing accomplice in that. That was the basic systemic weakness and for the last two-and-a-half years we have been trying to correct precisely that weakness.

We have reduced the amount of money that the banks have to compulso-

rily lend to Government. We have raised the rates of interest that the Government pays to the banks on securities so that banks can earn profits in their normal activities so that they do not have incentives to indulge in these dubious ways to show better balance sheets.

We have, at the same time, laid down transparent rules for capital adequacy, for income recognition, for provisioning so that hereafter if banks indulge in any of these transactions, this should be visible to the public so that they should not be able to get away by manipulating their Balance Sheets.

Sir, at the same time, after this scam came into being, we have learnt our lessons both in the management of the securities market and the management of banking system. The Reserve Bank and SEBI have taken active role in reforming the system. The Committee has recommended that the Reserve Bank should set up a Supervisory Board. We had taken a decision long ago but in deference to the wishes of the Committee we are now going to set up a new Board for Financial Supervision in the Reserve Bank. The Reserve Bank. The Reserve Bank has set up a new department of supervision to service the proposed Board for Financial Supervision. It has introduced a fresh Annual Financial Inspection combining the elements of both Annual Financial Report and Financial Inspection application to all banks. Regional Offices of the Reserve Bank of India will ensure compliance of these various guidelines by all banks. The Reserve Bank has set-up a new Market Intelligence Cell. The Reserve Bank has now issued instructions that statutory auditors will henceforth verify compliance of all Reserve Bank guidelines by banks. The Audit Report will clearly bring about relevant deficiencies in the banks' operations relating to advances and investment

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portfolio. The Long Term Audit Report which was given in the past only for public sector banks will now be given in respect of all banks, including foreign banks.

Sir, a system of Concurrent Audit has been introduced for all large and exceptionally large branches of commercial banks to ensure that fraud and malpractices are quickly detected. As regards the reform of the Public Debt Office, the SGL operations at eight major PDOs of the Reserve Bank have already been computerised. Reconciliation is now carried out promptly and credit advices to buyers of securities are tendered the same day. This will minimise the scope for the bouncing of SGLs that came to notice in the course of the scam.

With regard to foreign banks about which Members have expressed concern, I would like to assure the House that foreign banks in this country will have to function within the four corners of laws of this country and if they have committed any irregularities, proper action will be taken against them. But at the same time, I want to lay emphasis that we are members of a civilised community, we will do everything to ensure fairness and equity and that we owe to ourselves as a proud nation. But this does not mean that foreign banks or any outside agency or the multinational companies have a licence to do whatever they like in our country. They will not be allowed to get away with any violation of our laws. As a preliminary to that, the Reserve Bank has carried out scrutinies of the securities transactions of foreign banks. In addition, special audit by external audits of four major foreign banks has been carried out. Profits of banks involved in securities irregularities in the year 1991-92 have been withheld. Irregularities have been

brought to the notice of their home country regulators.

Sir, all that I want to say is that both in the functioning of the banking system and in the functioning of the securities market, we have learnt lessons. A vigorous process of reform is under way and we will come back to this House in the course of the next three months, item-by-item our views as to how we propose to act on the various recommendations of this Committee.

In conclusion, once again I compliment the Committee. I do not want to go into the issues of whether it was a system failure or human failure. Both were at work. But, by and large, the Committee has recognised that there were serious deficiencies in the functioning of the system going back to at least 1986. We owe it to our country, we owe it to our people to redress those weaknesses and to take remedial measures and I can assure this House that Government is fully committed to doing that.

MR. SPEAKER: Well the debate is concluded and the Session is about to be concluded.

19.16 hrs.

VALEDICTORY REFERENCES

[English]

THE PRIME MINISTER (SHRI P.V. NARASIMHA RAO): Mr. Speaker, Sir, I am happy that one more eventful session has been completed and we are now about to adjourn. I congratulate all Members, present and absent right now, in the House for their very valuable contribution, not only in this particular

debate of yesterday and today but all through the Session.

On the whole, this Session, as you had promised me, Sir, has been quite a high level kind of Session. Yesterday and today, yes, the speeches have been of a very high order, views have been expressed forcefully, naturally and at the same time, they have come out with whatever the report contains and what is proposed to be done on the report, things have been very well clarified.

On this occasion, Sir, I once again reiterate what my Finance Minister has just said, this is a matter which has nothing to do with parties. JPC has come out with a useful report on the whole, we will go into every word of the report and take action, wherever action is called for.

That is the final word on behalf of the Government on this. We did not have time. During the last 4-5 or 6 days no one could have expected this voluminous report to be gone through and the Government to come up with action report or proposed action report. That was understood even when this debate was fixed. Everyone knew that this was not going to be possible, but still we wanted, we welcomed full-dress debate on this just to know what the views of the hon. Members are on each aspect of the report. We are happy that we have had their views.

Now in the light of whatever has been said, in the light of whatever we will find on detailed examination of the report, action will be taken.

In the end, I would like to thank you and congratulate you on the monumental patience and tact which is growing day by day for the last two and a half years. You have noted us and you have studied us;

we have studied you. So, I think, whole House is with me when I say that.

SHRI VILAS MUTTEMW
(Chimur): We endorse it.

SHRI P.V. NARASIMHA RAO:
The best performance in the Session is of person who speaks the least and that is the Speaker, Sir. Thank you very much.

MR. SPEAKER: Hon. Members shall have to make a formal and usual report to the House which I am doing now. The current Session will come to close a little while later and the House will go recess. Starting on 2 December, 1993, hon. Members are aware, the Session was originally scheduled to be over on December with 17 sittings.

However, owing to certain unfortunate events, the House had to be adjourned on several days. The sitting 24th December had to be cancelled to enable hon. Members to celebrate the Christmas festival. Naturally, in order to complete urgent business, the House decided to sit for extra hours and also have additional sittings on four days. In toto, the House met on 20 days and worked for over 90 hours. Although relatively a short Session, the business transacted was notable.

32 Questions in the Starred Lists were answered orally. Written replies to 3772 Questions were laid on the Table of the House. 12 Statements on important matters were made by the Ministers. Under Rule 377, 70 matters were raised by Members.

On the opening day of the Session, Sarvashri P. Shivaraman and P. Kumaraswamy, elected in the recent bye-elections, as Members of this House, made affirmation and took their seats.

[Mr. Speaker]

References were made in the House on the passing away of three of its hon. Members, namely, Sarvashri Nani Bhattacharya, Frank Anthony and Shiv Saran Sinha and some former Members. The House also condoled the passing away of Bharat Ratna J.R.D. Tata. The House expressed its deep grief on the colossal earthquake tragedy which engulfed Marathwada Region in Maharashtra and adjoining States of Karnataka and Andhra Pradesh and resulted in large scale loss of life and property. The House expressed its satisfaction on the relief and rehabilitation measures taken by the Union and State Governments and appreciated the assistance rendered by various voluntary organisations.

Coming to legislative business, seven Bills were introduced in Lok Sabha. 17 Bills were passed by the House, important among them being the Chief Election Commissioner and other Election Commissioners (Conditions of Service) Amendment Bill, 1993 and the Protection of Human Rights Bill, 1993. Two Bills were referred to the Departmentally related Standing Committees. In deference to the wishes of this august House, I requested the hon. Chairman, Rajya Sabha to refer the Public Sector Iron and Steel Companies (Restructuring) and Miscellaneous Provisions (Amendment) Bill, 1993 to the Standing Committee on Industry before its introduction.

The Standing Committees submitted their Reports in respect of four Bills referred to them in the last Session. The Supplementary Demands for Grants (General) for the year 1993-94 were discussed and voted.

The House had three discussions under Rule 193. Although Rule 193 provides for Short Duration Discussion, actual discussions went on much beyond and the Chair had to be indulgent because of the importance of the subject matter and keenness of large number of Members to participate. The first discussion was on population problem, which was discussed for four hours eight minutes and 14 Members participated. The discussion could not be concluded because of paucity of time. The other discussion was on Statement of Minister of Agriculture about Earthquake Tragedy. The discussion took place for two hours and fifty five minutes and 17 Members participated. Yesterday and today, the House discussed the Report of the JPC constituted under the mandate of the two Houses to enquire into irregularities in securities and banking transactions. As many as 22 Members participated in the discussion which lasted over 14 hours. I wish to congratulate and thank the Members for maintaining a very high level of debate throughout.

Private Members business had also its own share in the business transacted during the current Session. Nine Private Members Bills were introduced. Dr. Laxminarain Pandey's Constitution (Amendment) Bill seeking to provide that any Bill affecting any religion or religious places of worship shall be passed by special majority was discussed but negatived.

Another Bill, the Code of Civil Procedure (Amendment) Bill, moved by Shri P.P. Kaliaperumal was discussed and later withdrawn by leave of the House. Shrimati Sumitra Mahajan's resolution suggesting the need for a Uniform Civil Code was discussed further during the current session and was finally negatived after the discussion. Dr. Asim Bala's res-

olution suggesting exploration of Oil and Gas in Eastern region was discussed inconclusively and will be taken up in the next session.

Responding to the wishes of Hon. Members of Parliament, the Prime Minister announced on 23 December, 1993 introduction of "MPs Local Area Development Scheme" under which each Member could suggest to the District Collector works to be done not exceeding Rupees one crore within his or her constituency. The scheme, I am sure, would enable the hon. Members to help their constituents as well as the process of development. I would like to thank the Prime Minister, the Government and the Parliament for this. On 11 November, 1993, I reconstituted the Panel of Chairmen by adding four hon. Members on it. I do hope hon. Members on the Panel of Chairmen would help me and my colleague hon. Deputy Speaker in sharing the responsibility in smooth conduct of the House.

Finally, I take this opportunity to thank all the hon. Members for the kind cooperation extended to me and my colleagues - hon. Deputy Speaker and the Members of the Panel of Chairpersons — in the smooth conduct of the business of the House. I would specifically like to thank the Leader of the House, the hon. Prime Minister, the Leader of the Opposition, the Leaders of various Parties and Groups, as well as the Whips for their courtesy and wholehearted cooperation to me which made my task easy. I would like to convey my good wishes for a very Happy New Year to the hon. Members of the House and through them to all our countrymen and women and children.

SHRI P.V. NARASIMHA RAO: Sir, with your permission, I would like to wish a very Happy New Year to all our Members and to you Sir, and to all our constituents through this august House.

MR. SPEAKER: I would like to thank all my officers and colleagues who have worked overtime to facilitate the smooth working of this Parliament. I would also like to thank the media persons for their very objectively, interestingly and very lucidly reporting the proceedings of the House to the people of India.

SHRI P.V. NARASIMHA RAO: Thank you, Sir. We will meet next year.

MR. SPEAKER: Now the hon. Members may stand up for *Vande Matram*.

19.28 1/2 hrs.

NATIONAL SONG

(The National Song was played)

MR. SPEAKER: The House stands adjourned *sine die*.

19.29 hrs.

The Lok Sabha then adjourned sine die.

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