

multinationals in the third world countries. We all know that the multinationals invest in the third world countries not in the interest of the development of the economy of those countries. It is also found that in the development process that they believe, they export all the tads and ills that are there in their technology or functions, Bhopal gas tragedy is only one of the examples of such type of actions adopted by the multinationals.

Seven years ago, on 2-3 December, 1984, we knew that due to gas leakage in Bhopal, several thousands of Indians had to die and the survivors who are still there bear marks of the sufferings. The scientists are of the opinion that the survivors may never regain their vitality or power that they had. Now, Madam, the entire matter is in the court. The Supreme Court came out with the judgment that a sum of 470 million US dollars be paid as compensation to those who have suffered due to the gas leakage tragedy. It ordered the Union Carbide Corporation of America to deposit the amount with the Register of the Supreme Court. Now, we cannot question the judgment of the Supreme Court. The hands of law are very long. Still, fierce rivalry in this field are of the opinion that the Supreme Court's decision has extinguished the criminal law in India. As compared to the Government of India's claim of three billion dollars, the sum of only 470 million dollars as compensation, is a miserable pittance. The general feeling is that the Union Carbide Corporation has got away very cheaply for an accident that claimed nearly 4, 000 lives so far, maimed several thousands for their life, and inflicted a psychological traum on lakhs of people.

Madam, before this claim was settled in Supreme Court, the Bhopal court had passed a judgment. The Judicial Magistrate of Bhopal District Court pronounced on 9 February 1989 that Mr. Anderson should be placed before the High Court. He is absconding. Madam, the fact of the matter is that the criminal case that was launched by the CBI was never withdrawm. The UCC however challenged the authority of the Indian Court and stated that Mr. Anderson could not be lodged in India.

The proclamation that was made in the Bhopal Court's Judgment was very significant. It says that Mr. Anderson has committed the offense of culpable homicide amounting to murder, voluntarily causing grievous injuries by weapons or other means and commissioning of such offences with criminal intention, knowledge, etc, punishable under Sections 204, 326, 429 and 35 of the Indian Penal Code 1860.

Now, I know that it is very difficult to extradite Mr. Anderson. But the Government of India has certain responsibilities. The matter should be taken up with the United States or the officials of the UCC based in India would have to face the music. If action on these lines is not taken, it will go to prove that we in India are in such a position where we have to accept the dictates of the United States of America whether it be in the field of economics or whether it be in the social or other fields. Madam, we must come out of this sort of a situation. It does not add to our prestige. So, before I finish my speech, I would again request the Government of India to see that the survivors of the Bhopal gas leak tragedy are treated humanely. The decision of the Union Carbide Corporation with regard to the proposed hospital should be implemented. We should see to it that they cannot block the money by setting up a trust in the name of a hospital. In this way, they are only trying to evade their responsibility. They just thought it wise to make the people bear the brunt of this gas leak tragedy. Again, I would request the Government to wake up the situation and deal with the case accordingly.

18.15 hrs.

CALLING ATTENTION TO MATTER OF URGENT PUBLIC IMPORTANCE

Strike by Share Brokers - CONTD..

[English]

MR. CHAIRMAN: Now, we go back to the Calling Attention Motion and I would request Shri Rupehand Pal to complete his speech.

SHRI RUPCHAND PAL (Hooghly): Madam, I will not take much of the time. I have already made some points. I have just two or three points more. I would like to ask some questions to the hon. Minister.

18.17 hrs.

[SHRI P.M. SAYEED *in the Chair*]

This is the direct outcome of the recent economic measures adopted by the Government. This is the direct fall out of it. The irony of the situation is that one bull operator is strong enough to put everything out of gear. CBI and RBI are making inquiries. I just want to know from the hon. Minister whether any FIR has been lodged or not and when this great offender is going to be arrested.

According to very conservative estimates besides Rs. 600 crores of rupees not less than Rs. 500 crores has been hijacked from other banks including some foreign banks. I would like to know whether those officials who are responsible for this have been found out and the other operators have been found out or not. I would like to know whether any FIR has been lodged and if not when the FIR is going to be lodged.

I raised this point when I spoke on the General Budget, that is there is a secrecy clause in banking. Government is speaking so much about the conspiracy and other things but they are not doing away with this secrecy clause nor did the hon. Minister replied to that point raised by me. Now, I would like to know whether on these sordid things Government is prepared to do away with the secrecy clause of financial institutions.

Secondly, in the income tax there is one Section, I think it is 291 where it is stated that even at the time of raid, if a person is making voluntary disclosures for evident purposes, the man may be offered immunity from any punishment according to the law of land.

MR. CHAIRMAN (SHRI P.M. SAYEED): You have to ask question. You have already

taken seven minutes.

SHRI NIRMAL KANTI CHATTERJEE (Dum Dum): If you have over done this exercise of setting questions for the students then there is always a preamble part first and then the question follows.

MR. CHAIRMAN: That is the reason why I am allowing five minutes to each Member, otherwise, to put question five minutes are not necessary.

SHRI RUPCHAND PAL: Sir, my last question is that the Government has offered immunity for voluntary disclosure, for deposition in National Housing Banks, etc. for the fourth time. How much money has been deposited? Whether after this bitter experience for the fourth time, what steps, the Government propose to take or deterrent action the Government propose to take to unearth blackmoney so that the parallel economy may not paralyse our economy and may not just repeat the things that have happened in the share market today?

[*Translation*]

PROF. RASA SINGH RAWAT (Ajmer): Mr. Chairman, Sir, through you, I would like to say that there is nothing new in the statement and by the hon. Minister of Finance. He has repeated the things which have already appeared in all the newspapers. If the hon. Minister of Finance goes through today's newspaper, he will find the points for which we expressed our concern yesterday. Today also, there are reports in newspapers under broad headings that

[*English*]

"Further decline in daily equity share suffers further losses in Madras."

[*Translation*]

The abrupt decline in share prices and increase in their prices in the very beginning all over the country suggest that there is something wrong in the system and therefore, the hon. Minister of Finance should have

disclosed it in his statement today as to whose mind is working behind all such events in which share prices rise in the beginning and fall thereafter. Some names had appeared in the newspapers. Yesterday, our leader, Shri Vajpaye raised a question before you. It has all along been appearing in newspapers that one of the nationalised banks, probably the State Bank of India has made available crores of rupees to a certain person through a share broker. Why no information is being given about it. How far it is true and who are these people? Who is working behind the curtain and who is being given this money etc.? Through whom all these issues have come to light and who is manipulating the market.

Sir, it has appeared in the press. Some names have also come in the newspapers. Though those names should not be mentioned here, yet I am making a reference to them because this issue is related to the economy of the entire country. Therefore, I want to know about the persons, the big manipulators like Harshad Mehta, Vallabh Seth, Nemish Shah, Rajendra Bhatia I want to know the people who are creating such an environment in the country.

As the hon. Chairman has directed that only questions should be asked, I would like to draw his attention to two to four points. Mr. Chairman, Sir, there was a provision under section 12 (1) SEBI Act under which a Board was constituted on 21.2.92 and as per the terms of registration prescribed by the Security and Exchange Board of India, all the brokers and sub-brokers working under the stock exchanges should get themselves registered within three months and the last date for the same is May 21, 1992. That date is coming closer and I would like to know whether anyone has got himself registered till date or not. There is resentment among them and they do not want to get themselves registered. Probably, the Stock Exchange has 16 Chairmen who held their meeting and sent a memorandum to the hon. Minister of Finance. The hon. Minister of Finance went to Bombay and gave his sermon there too for the better management of Stock Exchanges.

He gave several such directives and he had certain expectations from them. But they are adamant and nobody is ready to cooperate in the matter. They question the necessity of registration. In such a situation, is the Government considering to extend this date and will it hold any talks with them?

Sir, through you, I would like to ask the hon. Minister of Finance whether prior to making such provisions, the experts working in Stock Exchanges or their Chairmen, brokers or speculators were consulted regarding constitution of the Board registration of brokers by citing examples of foreign countries. Who are these vested interests and hidden enemies? Who are deciding the course of action of bazar from underground before or after a strike which is deliberately engineered by them. I want to know whether decline in share prices is not caused by the economic policies of the Government? It needs to be reviewed. Please reveal the 600 crore scam of S.E.B.I. There is a proverb "evil communication corrupts good manners". There is a need to think over it deeply. With the sudden decline in the cost of shares, small and middle investors are facing great trouble. What the Government is going to do to remove their difficulties? How will it safeguard their interests? The provisions made by the Government are not being enforced. What does the Government think about those who have suffered losses of crores of rupees and who are likely to suffer more losses. What measures will be taken by the Government to safeguard the interests of small and new investors? Is it a fact that in case the shares are not available according to demands, permission would be given for rights issues as has been laid by the hon. Minister of Finance. This should be clarified. Is the continuous rise in share-prices caused by the concessions given in the Budget? Has it encouraged the capital investors? Is it a fact that the situation created by import of gold, investment of foreign capitals and 'satta bazar' is due to the new policy of the Government. (Interruptions)

MR. CHAIRMAN: You can put only one question.

PROF. RASA SINGH RAWAT: With this rise a fake organisation has come into being in some of the markets of Indore and crores of rupees have been amassed. The name of organisation is Investor's Club. I would like to tell the hon. Minister of Finance that such organisations are functioning as parallel stock exchanges and making a daily business of Rs. 25 lakh illegally. The brokers of gold - markets in cities have constituted such clubs. They are doing illegal work. What measures are being taken to ban the activities of such people? In this connection, the hon. Minister of Finance should also give an explanation whether he will take any measures to ban the unlawful institutions. "The Civil communication corrupts good manner." With these words, I conclude.

[English]

SHRI SOBHANADREESWARA RAO VADDE (Vijayawada): Mr. Chairman, Sir, I feel that the strike by the sharebrokers throughout the country for nearly ten days is most unfortunate and it is condemnable. They have taken the nearly 15 million shareholders for a ride.

The trend is increasing now in such a way that even the people who are in the remote corners and in rural areas of the country, are very much interested in purchasing the shares and investing in the equity capital. For what purpose have they resorted to the strike? They do not want to register their firms. It is common knowledge that even a small, petty trader even in a village has to register either under the Sales Tax or Central Sales Tax or some other provision. But these people who want to earn crores of rupees do not want to register themselves. Every game has got its own rules. But these people do not want to have any rules for their game. So, I urge upon the Government to be very firm in dealing with these share-brokers. The interests of the investors should be given the highest priority.

Registration will definitely make these stock brokers accountable to the public about the deals which are carried out daily by them. It will also inject transparency into their

transactions. Nowadays it is common knowledge that inside trading is also taking place in almost all the stock exchanges. The SEBI provisions, to some extent, may bring down such transactions also. I would like to seek some clarifications from the hon. Finance Minister.

My information is—subject to correction—that there is a difference in carry forward charges which are called badli charges, which are two per cent at Bombay and ten per cent in Calcutta. These are carry forward charges. Is it a fact and is it to abet and facilitate unscrupulous trading practices being conducted? I would like to know this from the hon. Minister.

The other day I had applied and I was given a cheque for Rs. 50,000 as an advance for the purchase of a car. It was given on the State Bank of India. But as there was no time to encash it after I went to my place—I had an account in the State Bank of India—I sent it for cashing it. The Manager said that Rs. 500 would be charged as collection charges.

When I came across this news item in the paper that a particular individual whose name my colleague has mentioned as * I was surprised. He was able to take Rs. 600 crores from a nationalised bank for speculative purposes and without interest! How is it possible? Let the hon. Finance Minister explain how this had happened. What is the *modus operandi*? Does it mean that at present there are several lacunae and deficiencies in the practices and procedures that are involved? (Interruptions)

I also want a categorical clarification from the hon. Finance Minister whether similar incidents have taken place in the other banks also to the extent of several hundred of crores of rupees, where on the same lines, on the pretext of advancing money have been given to some people? I want to know this from the hon. Finance Minister. By these transactions by these so-called big deals, how much profit have they made? When has it come to your notice? Since how long has this been going on and how many people have benefited by it?

would like to know from the hon. Finance Minister as to what will be the implication, what will be the impact, of the present transaction and the selling down the shares for payment of hundreds of crores of rupees, which he had taken from the State Bank of India., Also I want to know its likely impact on the investment made by the small and medium level people who have purchased the shares. Also it is learnt that two subsidiaries of State Bank of India one nationalised bank, and a foreign Bank also involved in such shady transactions. How is that the officers of these selling banks issued bank receipts and pledged to deliver securities to the stock broker? How the stock brokers could collect such an unprecedented and a huge amount of money for speculative purpose? Is it not fact that apart from some officials in the State Bank of India Branch, near that Bombay Stock Exchange, the counterparts in other banks also helped this big bull? What action has been taken by the Government against that person?.....(Interruptions)

MR. CHAIRMAN: What is big bull?

SHRI SOBHANADREESWARA RAO VADDE: That is the terminology given to *... (Interruptions)

MR. CHAIRMAN: You should not refer the name.

SHRI SOBHANADREESWARA RAO VADDE: I did not have any pleasure in mentioning his name. That is why I said, 'big bull'

MR. CHAIRMAN: The name may be deleted from the record.

SHRI NIRMAL KANTI CHATTERJEE (Dumdum): This name has been mentioned many times today. You are too late.....(Interruptions)

MR. CHAIRMAN: You can refer a big bull or a big cow or anything but not the name.

SHRI SOBHANADREESWARA RAO VADDE: What action has been taken against this person as well as other persons who have subverted the law of the land and succeeded in getting hundreds of crores of rupees for speculative purpose?

A farmer or an ordinary businessman has to fill up many things and even after giving some securities, he is not getting a loan. But here is a man who had taken Rs. 600 crores. How? I want to know from the hon. Finance Minister as to what is the latest status of the nine Mutual Funds, who are holding part of the equity of some of the public sector undertakings; and also whether forward trading has already taken place even before the shares of these public sector undertakings are yet to be listed. Also how much profit the Mutual Funds are going to make? Who are the people going to benefit from this? Will it be ordinary people of this country or some big people, who are doing such type of Operations? What steps the Government is going to take to see that this type of incident do not re-occur in future.

Only some months back, our Deputy Chairman of the Planning Commission inaugurated one Share Brokers' Welfare Association at Vijayawada. Sir, whether you believe it or not, for Stock Brokers' Association are now functioning in Vijayawada city alone. That is how a large number of people are coming forward now to invest in the industrial enterprises. And this is a very critical time when the investors hope should not be dashed. The Government should have come down with an iron hand against these people, however big they may be, and against the bank officials or whosoever are the officers who have colluded with these type of people mercilessly. We would like to know what stringent steps he is taking and clarify regarding the questions which we have raised. Thank you, sir.

SHRI SRIKANTA JENA (Cuttack): We can only submit to the Chair and if the Chair permits, we can put the questions.

MR. CHAIRMAN: The Chairman is bound by the rules.

SHRI SRIKANTA JENA: That is what exactly I am submitting, Sir, Ultimately the Finance Minister will reply. (*Interruptions*).

MR. CHAIRMAN: For your information I may read out from Chapter 16 of the Rules of Procedure regarding Calling Attention.

SHRI SRIKANTA JENA: I know that. But the only thing I want to submit to you about this National Stock Exchange which was decided and why the Government is totally silent about this matter and the Bombay Stock Exchange is totally against this National Stock Exchange. Though it was decided two years back, yet it has not been... (*Interruptions*).

MR. CHAIRMAN: I think among of these five Members, this aspect has also been covered in the form of questions. The hon. Minister may answer this.

SHRI SRIKANTA JENA: It has not been covered. Secondly, about this membership, why this restriction, why the Stock Exchange people are monopolising whatever they want? They can give the membership to anybody to their choice. Supposing, eligibility conditionalities are fulfilled, then let everybody become the Member of the Stock Exchange. What is wrong in that? Why is the Government not directing the Stock Exchange? The by-laws of the Stock Exchange were formulated during the British time. Now, the Bombay Stock Exchange people are monopolising. The Government should give the directive that if the members, the applicants, fulfil the conditionalities, let them become the Members; let them come from the open market. Why the supporters of the brokers are only supporting those brokers.....

MR. CHAIRMAN: I think, all these questions are also asked by many of the hon. Members.

SHRI SRIKANTA JENA: These are the two points. Let it be open for all those who are eligible. Do not restrict this and do not allow

the unscrupulous elements sitting at Bombay Stock Exchange to make money on that account.

MR. CHAIRMAN: You leave the floor to the hon. Finance Minister.

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): Sir, I am very grateful to all the hon. Members who have raised issues and also sought clarifications.

Broadly speaking, there are three types of concerns which have been expressed. One relates to the behaviour of the Stock Market in recent months. Secondly, the need to protect small investors. Thirdly, there has been concern about certain malpractices which have been noticed in the financing of transactions relating to Government Securities.

Now, I would like to deal with each of these issues before I come to specific questions which were asked by the hon. Members.

It is true that in recent months, until two days ago, the stock markets rose very significantly. Now, I must confess to you that I do not have a full-proof answer as to what determines the stock market prices. This is an open issue because stock market prices not only fluctuate violently in this country but in several other countries and there have been certain treatises written on this subject. But, I think the state of the art does not permit a definitive answer as to what determines the stock market prices.

As far as I am concerned, I have been saying ever since I became the Finance Minister that there are the real factors, the fundamentals of the economy and there are other factors which influence stock market prices and the two need not go, I think, together. Therefore, I have never claimed that what I am doing is justified by the behaviour of the stock market. So, I do not need a certificate from the stock market to justify what we are doing is for the benefit and in the interests of our country. Most recently, in an exhaustive interview that I gave to *The*

Economic Times, I pointed out these facts. The risks that are there with the behaviour of stock markets can diverge from the fundamentals that many times the prices that prevail in the stock market, have no relation to the price earning ratio. This is a problem not only in India, it is also a problem in Japan, it is a problem in several other countries. therefore, I had suggested that a prudent investor should, I think, be careful in dealing with the stock markets, particularly I would say that in the context of the small investors. Government has, precisely for that matter, set up Mutual Fund and the Unit Trust and other banks have come into being to help small investors. Therefore, there are risks in the stock market. The has to be accepted as a fact of life.

I would also like to say that Government are interested in a healthy functioning of the stock market. But that does not mean that I should lose my sleep simply because stock market goes up one day and falls next day. Now, today's news is that the stock markets have gone up very significantly. Those who were saying that the fall in the market shows the failure of the Government, they might like to think.....(*Interruptions*). So, today the markets have gone up. The sensitive index of the Bombay Stock Exchange has gone up from 3,674 yesterday to 3,833. I am not going to say that this is an endorsement of our policy. Markets do fluctuate and, therefore, I think we have to take these things in our stride. All I can say is that I have been concerned about the state of health of the markets and whatever is possible for the Finance Minister, I have done that.

In this context, I would like to mention to you that I met the Presidents of the major Stock Exchanges on March 28 and impressed on them the need to maintain efficiency and orderly stock market to promote the confidence of investors by streamlining operations and, in particular, to take urgent action in the following areas:

Capital adequacy norms for brokers;

Uniform trading hours;

Faster clearance and settlement of transactions;

Increasing corporate membership; and

Checking inside the trading and price-rigging.

This has been the issue which has agitated several hon. Members and I have been keen to emphasise to the Stock Exchange authorities that they must find foolproof ways of dealing with these things.

I would also like to inform the House that I have been discussing this matter with the Governor of the Reserve Bank, and the Governor, in the course of the credit policy, has sought to ensure that instructions do exist to the banks that they must not be fanning speculations by way of providing the excessive bank credit for share transactions.

I would like to recall that in the context of the sharp increase in the prices of shares and to discourage the use of bank credit for speculative activity, the Reserve Bank has asked the banks to ensure that there is no increase in credit outstanding to individuals against shares, debentures and stocks. Also I would like to say that some particular brokers came to the attention of the Income-tax Department and, therefore, the Income-tax Department has also conducted searches on several business and residential premises of a group of share-brokers consisting of some individuals and some companies. This was done long before all these things came in the newspapers.

SHRI SRIKANTA JENA: What is the result of these raids?

SHRI MANMOHAN SINGH: It is under investigation. I think it is not proper for me to indulge in this.

I would also say that I have been generally concerned about the bank cards and soon after I became Finance Minister, I asked the Reserve Bank to set up a Group to look into the system and procedure from the point of

[Sh. Manmohan Singh]

view of strengthening, monitoring, supervision and detection and to take suitable remedial and preventive action. The Reserve Bank has appointed a Group to look into all these matters and I am told that the Report of that Group is nearing completion. Therefore, on the general points, I think, whatever Government can do in this matter - I can assure the House that - we have been alert and we shall remain alert. But that does not mean that we should lose our sleep every night when there is a fall or rise in the stock market prices. This is the general point that I do want to make.

The second thing that I do want to touch upon is that it is true that in recent months one of the factors has been excessive speculation in the stock markets. It is also true that it has been partly financed by bank funds. A reference has been made to the transactions in Government securities in which the State Bank of India has been involved. Now, this came to the notice of the Reserve Bank of India. The Reserve Bank of India investigated the matter with the full cooperation of the authorities of the State Bank of India and it is true that there have been malpractices. But I would like to mention to the House that this is a world-wide practice in the banking community. When you detect such thing, the first and foremost concern is to recover the money. I would like to say that this is precisely what the State Bank of India has done. These discrepancies were noticed in several accounts. A bulk of this is on account of a particular stock broker. When the State Bank of India came to know about the discrepancies in its securities' accounts and the ledgers maintained by the Reserve Bank of India, the State Bank of India took appropriate action and they have recovered Rs. 622 crores from this particular broker. Rest is a matter of follow-up action. I have asked the Reserve Bank of India to look into the whole thing, not only in the case of State Bank of India but to look into the securities' accounts of all other banks. And the Reserve Bank of India is now doing precisely that. I can assure the House that whosoever is guilty, will be appropriately dealt with. I have

said that this enquiry should be conducted under the overall supervision of a Deputy Governor of the Reserve Bank of India. That enquiry is in progress, and as I said, I assure this House that appropriate action will be taken to punish these who are guilty of indulging in any malpractices.

SHRI SRIKANTA JENA: It has been *prima facie* established.

SHRI MANMOHAN SINGH: That is now for the time being. I would like to say that we will take every action. Obviously, this is a case where there has been a system failure. So, we will go into all the causes as to why such things have happened and also what needs to be done to tone up the system. While I am on the subject, I would like to mention that a part of the problem, the difficulties in reconciling the accounts of the banks and the ledgers maintained by the Reserve Bank of India are due to the manual system of reconciliation. The result is that it takes months in our country before these accounts are reconciled. Yet we all know that it is in this country because of the trade union pressures and others, it has not been possible to computerise these accounts because of these reasons. I urge the hon. Members on all sides of the House that for the health of our banking system it is absolutely essential that a minimum amount of computerisation is undertaken in the accounts.

SHRI SRIKANTA JENA: In this particular transaction both the bank authorities and * are hand in glove. Do not cover it up.

SHRI MANMOHAN SINGH: I am not denying that there has been.....(Interruptions) I am saying that if we had the computerised system of the accounts, it would have been found out immediately. I think we must evolve systems and procedures whereby the scope for such malpractices is minimised. (Interruptions) This is with regard to the various facts of the case. I think I have covered them. I now come to the specific questions that have been raised by various hon. Members. (Interruptions)

SHRI SOBHANADREESWARA RAO VADDE: You have mentioned about the discrepancies in the ledger which is manually recorded. Did you find out this discrepancy only very recently? Was it not continuing since quite sometime?

SHRI MANMOHAN SINGH: This was found out towards the end of March. So, I think, it might have continued. We are looking at all the accounts, so that if this practice had continued, we will get to know of it.

SHRI GEORGE FERNANDES: It has been going on for two years.

SHRIMANMOHAN SINGH: As you said, if it is two years, I will pass on that information to the Reserve Bank. Now, I would like to touch upon some of the points which have been raised in this debate. With regard to the functioning of SEBI and the brokers' strike, let me say that it is our intention to implement the SEBI legislation with firmness, with fairness and, therefore, there should be no doubt on that. Whatever is necessary to implement that legislation, we will do so and I would like to say that SEBI came into being in 1987. Until this year, it was not given the statutory backing. We have done this in the course of this year, precisely because we care about the investors' protection, precisely because we care about the healthy functioning of our capital market. We will ensure that, now that the SEBI has come into existence, it has got statutory powers SEBI does act as a watch-dog, as a guardian of what happens in the stock market and that our markets do function efficiently. This is an obligation that SEBI has been asked to discharge and I sincerely hope that all segments of our community including brokers and other elements will cooperate with SEBI in discharging these functions.

The issue of economic policy was brought in by Shri George Fernandes and I think another hon. Member also raised this point. I do not have to go into a long debate. As I said, stock prices do fluctuate. Today, there has been a significant rise in the stock market prices. I am not going to claim that it

is true that our economic policies are sound and I think, we can carry on this debate endlessly.

As regards the relations of fundamentals, I have already mentioned that not only in this country, but in many other countries also stock market prices do not bear, I think, a proper relation between price and earning ratio. Many times, what governs stock market prices is the current income earning capacity. Here, I am speaking as a layman, because I am not an investor, I do not own any shares. But, I think, from whatever literature that I have studied that in addition to the current income earning capacity, stock market obviously have some views about the capital appreciation and this is related to the general state of the economy and various other factors. I do not claim to understand all these factors, but I do agree with Shri Fernandes that very often the behaviour of stock market does not bear any relation with the fundamentals. You can get cases of the type that he has mentioned that a company has not declared dividends, but its shares are booming.

Shri Fernandes also referred to the problems of small investors. I assure him that we will remain alert and I would like to point out, however, that investments in stock markets are a risky proposition and it is for this very reason that we had set up mutual funds because small investors do not have knowledge, they do not have experience, they cannot take advantage of quickly changing economic conditions of market sentiments and therefore, institutions do exist to protect the interests of small investors. SEBI will pay particular attention to protecting the interests of small investors. Another point Shri Fernandes raised was about filing of FIRs against the brokers, against bank officials and others involved. I can assure him that as soon as we get to know all the facts, appropriate action will be taken.

19.00 hrs.

SHRI GEORGE FERNANDES (Muzaffarpur): I am worried about one thing.

[Sh George Fernandes]

These operators are big sharks. Their *mala fides* have been established. Now whether it is six months or two years, Rs 600 crores plus of the State Government or Rs 2,000 crores of all the banks, these are matters of detail. But the fact is that they have committed breach of trust. They have committed acts which are offences under the Indian Penal Code. I think, there should not be any doubt, at least among those of us while debating this issue.

Therefore, my point is, if all that we are going to do is to drag this on as one more case, as many issues keep dragging on in this country and never come to an end, and things will not improve. I accept the Minister's point that the stock market has its own dynamics. About dynamics and what kind of fluctuation there can be, we can have a longer debate. I know, this is not the occasion.

I would certainly like the Minister to give an assurance today on the floor of the House that very effective penal action is being taken against these manipulators who have tried to cheat the banks, who have made a kill at the expense of the banks, who have put the banks to the loss. But for the fact that the whole thing got unearthed they would have carried on merrily. I shudder to think, supposing the market had crashed before the fraud was discovered, what would have happened to our money. These operators are unscrupulous people. They would have siphoned out the fund from this country. They would have been very safe. But our public financial institutions would have been the losers apart from small investors. Those who have money to squander away and who want to gamble from horse races to share markets, I could care less. But I am certainly concerned, as the hon. Minister is concerned, about the small man. I am glad that he has conveyed the message that it is a risky proposition and if the people want to invest they must go to the Mutual Funds or such other institutions that have been set up by the Government for the purpose. But I want him to be very categorical about the penal action against those people who are

not only just operators but those who are allied with them.

SHRI MANMOHAN SINGH: I share the concern of the hon. Members and let me assure the House that effective action will be taken and that include every type of action. But investigation should be allowed to be completed. The Reserve Bank is engaged in these investigations. I will ask the Reserve Bank once again to expedite it. As I said, we will take effective action to punish all those who are found guilty in this.

SHRI GEORGE FERNANDES: I want to see them in jail soon!

SHRI MANMOHAN SINGH: I have said effective action.

Well, some other issues were raised about housing and black money. They do not have much relation to what we are discussing today. But I can answer those questions.

I think, under the housing scheme, we collected about Rs 150 crores. Obviously this scheme was not very successful. It was closed on 31st January.

As far as the black money is concerned, I think, it is a problem. We have to tackle it. We have to pool our wisdom, how to deal with this problem effectively.

I think, I have answered some of the questions of Mr V. Sobhanadreeswara Rao. About the behaviour of the stock brokers, I do not have to say more. I agree with him about the undesirability of practices like insider trading and this is the matter, we will pursue vigorously, once SEBI comes into being. It is now a functioning organisation. It will be its responsibility to see that practices like insider trading and other similar practices are curbed.

With regard to forward sale of PSU shares, I do not have information just now with me. I will enquire into it. (Interruptions)

SHRI GEORGE FERNANDES: What about national stock exchange and the

question of opening it to anybody.

SHRI MANMOHAN SINGH: As far as the national stock exchange is concerned, I have mentioned to the hon. House that we have, in principle, agreed to set up national stock exchange. I will come back to this House later on about the working of this modality.

SHRISRIKANTA JENA (cuttack): What about the new membership in the stock exchanges?

SHRI MANMOHAN SINGH: I cannot answer that question because I will have to examine the implications of your suggestion.

[*Translation*]

PROF. RASA SINGH RAWAT (Ajmer): Will the Government do something in respect of the take institutions which are indulging in share business illegally.

[*English*]

SHRI MANMOHAN SINGH: Hon. Member has referred to illegal entities. I think

the law of land should take care of those illegal entities. He has mentioned a particular organisation in Indore. I will pass on that information.

About the secrecy clause, I think over a period of time, we should have greater and greater transparency. But I think I cannot promise you today straightway that I can overnight remove. I think I have said that it has been our endeavour and it is in my endeavour to think that over a period of time our banking system functioning is made as transparent as is feasible. There are practical difficulties. It is not our problem. This is a problem all over the world. Therefore, I cannot lay down a rigorous time-table. But that is the direction in which we are moving.

MR. DEPUTY SPEAKER: The House stand adjourned to meet again at 11.00 AM on Monday, the 4th May, 1992.

19.06 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Monday, May 4, 1992/ Vaisakha 14, 1914 (Saka)

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