

[Sh. Hari Kewal Prasad]

States Cattle have died. More than 75% of the Government tube wells are lying out of order in Uttar Pradesh. There is no water in the canals and the supply of electricity and diesel is paralysed. The cash crop of the biggest sugarcane producing State of the country is drying up in the absence of irrigation facility.

Therefore, I demand that the Government should declare the whole of the country as drought affected. Arrangements should be made to provide the water. The tubewells that are lying out of order and the drains that are lying damaged should be got repaired. The rural areas should be supplied electricity for atleast 20 hours in a day and arrangements should be made to supply diesel to these areas. The test work should be started in the rural areas. The arrangements should be made to ensure adequate supply of fodder for the cattle in these areas and all the outstanding recoveries should be postponed.

- (iv) **Need to direct Andhra Pradesh Government not to dispossess the people of the Land purchased by them for pisciculture in Coastal districts in Andhra Pradesh**

[English]

SHRISOBHANADREESWARA RAO VADDE (Vijayawada): Thousand of hectares of land adjoining Bay of Bengal in coastal Andhra Districts such as Krishina, Guntur, Nellore, West and East Godavari, Visakhapatanam, Prakasam etc., are best suited for inland fish and brackfish water shrimp culture. These lands are not so much suited to raise agricultural crops. So, the farmers in these areas have taken up preparing ponds, tanks for fish and prawn culture. Some people who are very much interested in this pisci-culture have purchased

some lands from the encroachers and invested money in preparing the tanks. Now the State Government of Andhra Pradesh is trying to dispossess these present occupants and give away thousands of acres of land to big moneyed people. Most of the local people belong to weaker sections such as fishermen, Scheduled Castes, Backward Castes and economically backward class. The local revenue authorities are trying to physically remove these poor persons from their sites. Due to this serious agitation is going on. I urge upon the Union Government to advise the State Government not to harm the present occupants who have invested a lot in the Pisci culture and regularise the encroachments. I also urge upon the Union Government to allocate more funds to Marine products Development Authority to help more number of persons to take up shrimp culture in a scientific manner and to issue suitable instructions to the commercial banks to advance loans to the entrepreneurs without much delay.

- (vii) **Need to declare 9th August, the birthday of Padmashri S. Ranganatha as National Library Day.**

SHRIPAWAN KUMAR BANSAL (Chandigarh): Sir, in order to check the decline in the reading habits, particularly amongst the students who today depend upon cheap guides on their course of study, it is desirable that we earmark and celebrate one working day as the National Library Day in the country. Such a day should not be a holiday. It should rather be dedicated to the popularisation of libraries by holding quiz competitions, seminars and exhibitions etc. All this can be done without incurring any additional expenditure.

The birthday of Padmashri Shri S. Ranganathan, father of Library movement in the country falls on 9th August. This day has immense historical importance and is being

observed as the "Quit India Day" and could also be observed as National Library Day with emphasis on "promote reading habits" or any other day could also be earmarked for this purpose.

I urge upon the Central Government to take necessary steps in this respect.

15.16 hrs

DISCUSSION UNDER RULE 193

Scam involving operations in Government securities

[English]

MR. DEPUTY SPEAKER: Now, we shall take up the discussion under rule 193. Shri Jaswant will raise a discussion regarding the scam involving operations in Government Securities running into thousands of crores of rupees. The time allotted for this discussion is three hours.

SHRI JASWANT SINGH (Chittorgarh): Mr. Deputy Speaker, Sir, this discussion is following upon a statement that has been made by the hon. Finance Minister and it is also following upon the announcement by the hon. Prime Minister of the intention of the Government to institute a Joint Select Parliamentary Committee to investigate the irregularities and fraudulent transactions in banks and other financial institutions.

Sir, I am constrained to observe that the Government was doing nothing for almost two months after the coming to light of this scandal. On the eve of the commencement of the Parliament Session, on the every first day, it started the process of consultations with all of us in the Opposition and took certain steps which they could very well have

done even in the intervening two months. In that sense, this discussion is now circumscribed by the Government's belated action. There is also a natural and an inherent restraining influence firstly of the continuing CBI's inquiry into the transactions, the Court cases etc. and secondly, I know that the Government, no matter what we ask here, will have a tendency to assign everything into the lap of the Joint Select Parliamentary Committee which is now intended to be set up. But, despite that, I consider it necessary to share with the Government some preliminary caution. In the discussions with us that preceded the decision of the Government to appoint such a Committee. I did caution the Government that if the appointment of the Joint Parliamentary Committee is merely a device that the Government wishes to employ to overcome an awkward parliamentary situation or an awkward national situation or a political embarrassment, then this Joint Parliamentary Committee it will serve no purpose; if it is merely a political device to get over an awkward situation, political or otherwise, then will not, but, if, on the other hand, in the words of one of the participants in these discussions, that is, in the words of one of the senior Cabinet Ministers, that is not the Government's intention, that the Government is seized with the seriousness of the matter and that the Government indeed views this particular situation as an opportunity to set right a very grave wrong, then we will participate in it.

I find it necessary to state that there is a second caution about it. This Joint Parliamentary Committee which is now intended to be set up must not become an illusion or a smoke-screen for the real action that it is now necessary for the Government to take. If the setting up of JPC is employed by the Government as an excuse or smoke-screen for not doing anything else, then it will not be true to this institution, the Parliament will be failing in its responsibility.

So far as the statement of hon. the Finance Minister is concerned, I would wish to make some preliminary observations. I would make my detailed observations later and I have made these observations because this is the first comprehensive statement on behalf of the Government on what is possibly the most monumental and the most consequential fraud in banking and other institutions that independent India has seen. I regret that the hon. the Finance Minister's statement contains absolutely nothing new that we were not already aware of through newspapers etc. It is expected that when the hon. Finance Minister comes forward of his own initiative to make the first authoritative statement on behalf of the Government, on the opening day of the Monsoon Session of Parliament, then certainly that statement will have much more than merely a recounting of the events that have already appeared in one newspaper, in one journal or another.

I must submit that it is a comprehensive statement but comprehensive in listing the already known. It is no doubt a candid statement but candid about the self-evident or about those aspect which can no longer be denied. I am afraid, I have to submit that it is a statement which I would be forced to categorise as an uninspired litany of standard bureaucratic there are so many raids that have been conducted; so many arrests have been made; so many laws are intended to be mator so many have been made and so many more are intended. I submit that the statement which should have been seized of the enormity of what the country is faced with, is an accountant's statement. It is not that of a Government which is seized of, as I submitted earlier, the most monumental, the most consequential scandal, fraud that the country has witnessed since independence.

Is it all very well for the Government to

come forward and say all this as mere accountancy exercise? I find it very unhappy as mere accountancy exercise that the fraud involved is something like Rs. 3500 crores, but because the Janakiraman Committee has identified Rs.350 crores, so the net fraud is Rs. 3150 crores. Is this not mere accountancy approach? This is the most serious problem in banking and other terns that the Government has faced since independence. I do not know what else it is, but I submit to the hon. The Finance Minister that this is not a simple accountancy problem. I am constrained to observe that the statement itself is merely accountancy statement because this is what it has been reduced to. I am afraid, the statement that the hon. Finance Minister has made is wholly un-reassuring. I have to say that it is uncleverly evasive about the awkward unanswerable aspects of the totawty of this scandal. I am afraid the statement or the phraseology or tenor of it does not rise to the circumstances that have occasioned it. That is why, I feel that it is necessary for me to share with the House what I think in my mind only—it need not necessarily be the views of the Government—of the dimension of what we are examining. And unquestionably, it is not simply an accountancy problem.

It, of course, does involve irregularities and fraudulent transactions in banks, but those irregularities and fraudulent transactions are the consequences, the effect, of a very longstanding malaise which has been left, not just untreated, but cynically, coldly, at the cost of the nation it has constantly been covered up. To my mind, the very first land-mark in the contours of the dimension of this problem that I would attempt to identify in this scandal and I would deliberately try and avoid the American slang which has currently become fashionable as 'the scam' because I think the word scam puts limits on the dimensions of what we are seized with. In this attempt at drawing the contours of the problem that we are faced, the very first

landmark that I will identify is that this has been caused because of an absence of proper moral temper in the country. It has become current and fashionable to say that immorality pays, political immorality pays above all. Therefore, the vitiating of all organs of the State becomes a gain that can be easily and profitably indulged in.

The second is the absence of accountability. We have had occasion to mention this on a number of occasions. I had occasion to say earlier. This kind of scandalous behaviour took place in United States of America, the United Kingdom or Japan or any other Country. In whichever country it may be, in each and every one of those cases, they be involving the highest in the land, someone or the other has always been held as accountable. It is only here in India that no matter what the size or dimension of the scandal, of the problem, no one, not a single person, except in the earliest years of the inspired leadership of Pandit Jawaharlal Nehru, that possibly a few people paid that price. After that, there is a desert, a total desert, of unaccountability. It is not for me to cite the instances if by a telephone call, Rs. 60 lakhs could be withdrawn from the State Bank of India and the person who drew that money is subsequently killed and no one knows till today and no one bothered, even then, I do not have to take those names who was then the Prime Minister or who drew the money, as if for setting up a car factory, some crores are wanted, and therefore the State's land can be taken away and money is not given. Nobody paid that price either the Shah Commission is now confined to the dustbin of our Archives Department. Look at the Shah Commission. What it did? Shri Chandra Shekharji is here. He is a victim of it. Shri Lal K Advaniji is here. How many of us remember what the Shah Commission found? How many have referred to that? It is

that kind of thing which sets the whole tone of absence of accountability.

When we talk of Bofors, we talk of Bofors not because we are enamoured of the word Bofors but because Bofors has come to epitomise this absence of accountability. It is not just Bofors when we point out that there are businessmen that are looting this country. Every single law of this land is being perverted for the sake of individual Business benefit. Then we are told that you are doing this with some political purpose. I will not elaborate this point. The result of all this is this absence of accountability combined with loss of moral temper in the nation. Why then should not people like Harshad Mehta not say all of you are looting this nation. (*Interruptions*)

[*Translation*]

I should also make hay while the sun is shining why will he not say, everything is fair?

[*English*]

We are responsible for it. Do not just blame Harshad Mehta and Bhupen Champa Dalal or others. We have created a climate for it. I entirely share Shri Chandra Shekharji's view that we have created this climate in the profligate decade of the 80s.

The decade of the 1980s was politically, socially and economically the most profligate decade that this country had seen and it is since the beginning of the decade 1990s that the nation is having to pay a price for that. It is because of the profligacy of a whole decade. (*Interruptions*)

There are some other dimensions of this entire exercise which is not merely an accountancy problem. (*Interruptions*)

Scam Involving Operations in

SHRI MANI SHANKAR AIYAR (Mayiladuturai): We have heard this ** before. (Interruptions)

SHRI JASWANT SINGH: I would beseech the hon. Member to stand up and repeat what he said, but this time slowly. (Interruptions)

SHRI MANI SHANKAR AIYAR: I said we heard this ** before. Please continue. (Interruptions)

SHRI JASWANT SINGH: I would request that this be now translated. (Interruptions)

SHRI MANI SHANKAR AIYAR: I used it in response to the request from the gentleman who was speaking. The gentleman who was speaking, harrrd me say it and he asked me to repeat it on my feet. I have, therefore, repeated it. I regard this as **

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SHRI JASWANT SINGH: May I request that it be now translated in Hindi?

(Interruptions)

SHRI MANI SHANKAR AIYAR: I was asked by Shri Jaswant Singh to repeat it.

SHRI JASWANT SINGH: May I request that this be translated now in Hindi? May I request the hon. Member to say it in Hindi?

[Translation]

SHRI MANI SHANKAR AIYAR: Please excuse me. I have been taught in English medium. I am not able to translate these three words. I know that you are very good at Hindi, I would, therefore, request that you

may yourself please translate these words ** in to Hindi.

[English]

SHRI CHANDRA SHEKHAR (Ballia): No body should take it seriously. He said that he has been taught in English and he has been taught only three words. (Interruptions)

SHRI MANI SHANKAR AIYAR: I find some words for you also, gentleman. (Interruptions)

SHRI JASWANT SINGH: Before I proceed, I must admit that the hon. Member was extremely offensive. But then I also admit that is naturally offensive. Therefore, it is very difficult to expect anything from him.

Let me proceed. There are other dimensions of this whole problem. As I said, it is not simply an accountancy exercise because I submit that the entire domestic banking structure of the country today virtually at a standstill. It pains me to submit that the International standing of the country is seriously questioned. I think the Capital Market is the third dimension of this problem. I am sure the hon. the Finance Minister is knowledgeable and he is aware that the Capital Market is at a standstill. It is not simply a question of the Stock Exchanges being the Exchanges where only the money of the rich is traded. Small investors have also invested money. The fact that the larger Stock Exchange all over the country have been immobilised for almost four to six weeks is a very serious aspect of the immobility of the Capital Markets of the country. I do submit that when all this is happening, then India's Foreign Trade is also a part of the dimensions of the problems that we are seized with. India's Foreign Trade is involved. It is not for me to put across to the hon. the Finance Minister that

**Expunged as ordered by the Chair.

if India's Foreign Trade is going to be affected by all this, what the consequences will be.

I do also submit that the package of economic reforms and the new Economic Policy that the Government has introduced is also seriously questioned because of all this and that to is an aspect of the dimensions of the problem that we are faced with.

There is one more aspect and I submit it in all seriousness to the Government that if you take into account the concept of national security, then the economic well-being of the nation is an integral part of national security. If the international standing and the economic well-being of the nation is jeopardised because of the activities of a few, then our national security is also a dimension of this entire scandal, this fraudulent dealing in banks and securities in which vital national interests are involved is not merely of Rs. 3,500 crores or Rs.5,000 crores or Rs. 150000 crores. That is why the evasions and obfuscation and the obvious avoidance in the hon. Minister's statement are so saddening.

Because I held that it has not simply involved banks and financial institutions and because the statement is totally silent about them, I would like the Government to explain whether they have identified even in this statement, which may be an accountant's statement, in your view, all the possible wrong-doers, yet there is not a sentence, not one word anywhere of the possible wrong doings of the Government of India. Is it your submission that whereas everything else could be going wrong and the largest possible scandal in independent India's history could you taking place, that the Government of India, by itself is not responsible, that the Government of India has nothing to answer that the Government of India has committed no wrong? There is not a word about what

the Ministry of Finance's responsibility is or is not.

I will come to that subsequently what the Reserve Bank ought to have done what not to have done and that too rather obliquely. But about the Ministry of Finance, there is not a word here. Did the Ministry of Finance in any of this, at any stage had any role to play? Are any of these banks, in any fashion accountable to the Ministry of Finance? And has the Ministry of Finance a function to perform? The hon. The Finance Minister is a man whom I hold in very high regard, my personal esteem for him is no less despite what has happened in the banking sector or the security sector or else where. It is not for me to suggest to a man of his sensitivity, sensitivity and a of honour what he, as Minister of Finance should have been doing, should have done or should be now doing now. It is not for me to suggest like this what he should be doing. But I will be failing in my conscience, I will be failing by myself, I will be untrue to myself I did not, despite the high regards for him, say this where does the Ministry of Finance come into all this? There is not a word here and I do not believe that this kind of scandal or this size of scandal could have taken place with not a single political leader, not a single bureaucrat even indirectly involved., There is not a word about the political responsibility or the responsibility of the civil service. And what about this nexus between the politician, the bureaucrat, the banker or the industrialist? There is a constructive moral responsibility of the Government of India/ There is a constructive moral responsibility of the Ministry of Finance and of the officials of the Ministry of Finance. There is, I submit, behind all this huge scandal, a nexus of some politicians, bureaucrats, bankers, and industrialists.

I am not a detective agency; this House is not a detective agency. I feel that it is not proper for this House to engage in that kind of activity. But it is our right to know and I do

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demand of the Government to let us know what and who are behind this.

Sir, I am not going to go into what is already self evident on and what has been commented on and has appeared in various journals. I am not going to go into this broker, who is now behind bars, called Harshad Mehta and the meetings that were organized for him in the Ministry of Finance by the officials of the Ministry of Finance before the Budget. I am also not going to go into the fact that this very Harshad Mehta has appeared on different pages of various journals; that is an aspect on which journalism and journalists also ought to reflect that yesterday's hero, who appeared on journals in the front pages, is now being reviled by almost every journal. What was that that made him a hero then and how is it that suddenly he is like this? The same treatment was meted out to him by the Ministry of Finance, as by the world of journalism.

Sir, I am also not going to go into Harshad Mehta and his high connections, about his reported contributions to various foundations etc. Also, I will not go into the aspect of Harshad Mehta's dealings with the State Bank of India, wherein, I am told and perhaps, the hon. Finance Minister will correct these figures, they gave him business worth Rs. 17,600 crores in securities. They gave him business which is the equivalent of the Defence Budget of this country. And just one bank gave to just one broker, the equivalent of the Defence Budget of this country.

Sir, I would like to understand, if despite this, when this was done, the Ministry of Finance did not know it then what was the great genius that this broker had or what was the linkage between the State Bank of India and this broker that persuaded them to give him an equivalent and in fact, more than the

Defence Budget of this country? This is a very serious matter. I am not going into figures like nine lakh crores have been transacted. I do not know and it is for the Government to tell us. I do not want to go by it.

Sir, as you know, this Janakiraman Committee's report, it is only yesterday that it has been placed on the Publications Counter of the Parliament. I mentioned it in the meeting. The Government gave it to the press; but it has not circulated it to the Members of Parliament. Why? Was the Janakiraman Committee instituted for the sake of newspapers and Journalists? It chooses first to give it to the papers but it does not give it to the Members of Parliament. Why? Since Yesterday, it is placed on the Publications Counter of the Parliament and that we can go and draw it. What am I to do with it in this discussion? That is altogether a different point.

Sir, I will also not go into the business of the Ruis and the Dharmaraj Mills and on this question of Banker's Receipts from Bank of Karad in 1990 about which the Finance Minister was aware from 1990. I do admit though that there was another Finance Minister then. The Bank of Karad did it so that Reliance shares could be purchased from Larsen and Toubro. I am also not going into that or the continuing involvement of the State Bank of India and the then head of the State Bank of India, Shri Ghosh. Sir, I will also not go into the details of the nexus between Shri Bhupen Champaklal Dalal and Standard Chartered Bank. But I will go into some aspects about which the Statement is completely silent; aspects about which there has also been little reporting so far.

I will come in a moment to the role of RBI. So far as foreign banks are concerned, between September 1991 and March 1992, simply on coupon rates - and I know that the

hon. Finance Minister knows what I mean by coupon rates- and with the hike in the coupon rates, these foreign banks - the hon. Finance Minister also knows which these foreign banks are - routinely and ordinarily having a profit of annual Rs.30 crore annually make a killing on the coupon rates. Because the coupon rate was being hiked, they make a killing which is in excess of Rs. 300 crore. I would like the Government and the hon. Finance Minister to inform us as to who informed the foreign banks in advance of the hike in coupon rates, so that they could unload huge stocks of old securities and reload them, etc. I am not going into the intricacies of the sale and purchase of these coupon rates.

It is a very serious matter. It is not a simple question of making profit out of selling and buying. that is not an illegal activity. But what is illegal is, giving advance information of the intentions of the Government of India. How did this advance information about changes in coupon rates reach the foreign banks? The Government should address itself to this very serious matter. It is not a question of their a profit of Rs.300 crore. let Indian banks and foreign banks make more profit; but legal profit and profit not because of the inefficiency or inadequacy of the Government. We have a right to know this.

I will also go into this very peculiar bank called the Bank of Karad. I do not know enough about this bank. You wind up this bank; you do not wind up other Banks; you do not at first remove its chairman; then you removed its chairman; there are rumors of all kinds of political involvement with this Bank of Karad. What is this Bank of Karad? Is it correct that the Reserve Bank wanted, in fact in the month of March to wind up this bank? Is it further correct that in fact because there was political pressure, you did not wind up this bank and the Reserve Bank Therefore did not wind up this bank/ What was found wrong in the month of March,

between March and May or June when you finally acted, what was additionally found wrong?

I am astounded by this MCB- the Metropolitan Cooperative Bank. It has an amazing record. Its total asset was Rs. 8 crore and this Rs. 8 crore is equity, loan, borrowing, everything put together. Its total asset is Rs.8 crores. It issues bankers' receipts worth Rs. 1944 crores; It is mind - boggling, the manner in which this game was being played. I do not wish to speculate what was happening; it is for the Government to tell us. How was this possible? Is this a game of Monopoly that is being played? There is a game 'Monopoly' where you throw dice. What is happening here? Where have we brought the country to? I find it astounding. It is indefensible. That is why the statement is such a sad document to me.

I would also like to know what is the nexus between Karad Bank, MCB, Standard Chartered and Shri Bhupen Champak Lal Dalal and Harshad Mehta. (Interruptions). Let me just say B C Dalal. What is the nexus between B C Dalal, the Bank of Karad, the Metropolitan Cooperative Bank and the Standard Chartered business? The Standard Chartered has given a lot of Business to this man. Where does all this come from and how? Unlike this fly by night operator Harshad Matha, Bhupen Dalal has been inhabiting the corridors of power in Delhi for very long. I am informed that it is for the last decade and a half more. What has suddenly happened? Has he been doing this for the last decade and a half? The statement is even now caring of B C Dalal. Harshad is raided by the Income Tax Department, But B C Dalal is only seriously investigated. What is the difference? It is the statement which says this and I do not understand this.

I have a very serious concern and I would like the hon. Finance Minister to share his views on this with us. Is there a crosscountry dimension to this entire prob-

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lem, to this entire scandal? When I say it is 'crosse- country dimension', I would seek your permission to explain this in just two minutes. I am sure the hon. Finance Minister would understand exactly what I am saying. Simply 2.5 per cent over LIBOR comes to around 7 per cent; and seven per cent is a very attractive lending rate in the whole of the West Asian countries. But, you add to that seven per cent, one more per cent as incentive or commission or whatever it is, and you take it as eight per cent. You can therefore borrow at eight per cent in West Asia and you can bring it into India; you can then lend at 23 per cent. It is not simply 23 per cent. The hon. Finance Minister knows that the call money rates during the height of this episode went up to as much as 68 per cent. or more. Banks were engaging in trading in call money rates. Therefore, now I would like to know that of the remittances, following the Foreign Exchange Remittance Scheme of January 1992, there were two remittances that came through six Middle Eastern banks and West Asian banks. They came into the account of Harshad Mehta in January 1992. The first was of Rs. 89 crores and the second was roughly of Rs. 79.36 crores. Was any monitoring kept by anybody in the Government on these large sums of money which are coming from the Middle East? Moneys are welcome. But they are coming only in specified accounts and straightaway, as soon as they arrive, they are finding their way in to the Stock Exchange.

I submit that it was the duty and the function of the Government of India, most certainly to encourage all inward remittances, investment and moneys that could possible come in from all legal sources, from anywhere in the world. We were, without that, faced with a very serious-as we are still-balance of payments problem. But this kind of activity in the context of what I have just

said, that you can borrow at eight per cent in West Asia and lend it in India at 23 per cent minimum, gives altogether a different dimension to my query. It is this part of the dimension about which I have asked a specific query about Harshad Mehta. The second specify query that I wish to ask is about Shri B. C. Dalal or Bhupen Dalal. Is it not correct that Mr. Kotak Mahindra and Mr. Bhupen Dalal opened a Company in West Asia? It is a good thing if a company is opened in West Asia, if it brings in business to the country. But for the last six months or so, since it has been opened, it has transacted no business. Is it a conduit for this kind of money? Is there a nexus between this and the Bank of Madurai?

My question is and it is a serious query addressed to the hon. Finance Minister. Does the Ministry of Finance have any understanding of these cross-country dimensions of the problem that we are faced with? Secondly, does the Ministry of Finance have any assessment of the size of this problem? If circulating in our monetary system are such funds, then it is not a simple matter. These funds can be called back by whoever has lent them. If they are called back, it is incumbent on the Government of India to inform what is the size of this problem. Because when that cheque comes to be encased or presented for being called back, then the nation will face a very serious problem.

There is yet another aspect about which the hon. Finance Minister's statement is silent. That is why I find it unsatisfactory. And that is about the role and functioning of the public sector enterprises. The public sector enterprises disinvested - a policy of disinvestment that we supported. (*Interruptions*)

AN HON. MEMBER: It is the result of that policy.

SHRI JASWANT SINGH: No, but it is

in the management of the policy where we are having difficulty.

SHRI CHANDRA SHEKHAR: That was bound to be.

SHRI JASWANT SINGH: But there is the other aspect of public sector funds. Large sums of money are, for example, available with the National Thermal Power Corporation or ONGC and you give them freedom—Rs. 3,000 crore, 3,500 crore, 500 crore. You give these various Ministries to place these funds, what is now called, with investment bankers, portfolio managers. Is this your policy? Are you satisfied with the manner in which the public sector enterprise funds have reached portfolio managers? Who are these portfolio managers? Is any record kept? Have you kept a trace of who is managing them? We would like to know.

I have some specific queries very simply put on the statement itself. On page 1, para 2, the Government has informed us that Shri Janakiraman, Deputy Governor of the Reserve Bank of India, has investigated the matter. I find great difficulty in that because you are asking an official of the Reserve Bank to investigate the Reserve Bank itself. Please elaborate on how you feel that will be done satisfactorily.

On page 2, para 5, the hon. Minister has informed us that it is largely an "internal control failure". Is this the Government's assessment that it is only an internal control failure?

On page 2, para 6, the hon. Minister informs that he has three objectives: to recover money, to punish the guilty and to restore confidence. I would like to know in that direction what are his priorities and how well or how satisfactorily he has moved in the last two months.

The administrative actions that are cited

at page 3, para 7, are actions that I find very great difficulty with. We had occasion even last time when this discussion came up to point out what the Government has listed as administrative action. I would not read them as unsatisfactory. Officers being sent on leave, officers being advised to go on leave, officers or heads of banks have been charged with serious kind of offences. And all the administrative action that the government takes is to advise the chairmen of the banks to go on leave.

16.00 hrs.

This is highly unsatisfactory administrative action in the face of the most of the major scandals that the country has faced. I would like the honourable the Finance Minister to inform us what he has to say about this.

About the ordinance that has been issued after the first report was submitted on the 2nd of June, we will have occasion to discuss the ordinance proper and about the haste in which it was prepared and when the motion for its disapproval comes up in the country, I will not take the time of the House on that.

SHRI CHANDRA SHEKHAR: It is going to be declared ultra vires in two three days.

SHRI JASWANT SINGH: I did not want to say that Chandra Shekharji. But there is a serious worry that this very ordinance under which a lot of action was taken and the legality of that ordinance is now seriously flawed or seriously questioned.

About the income tax authorities, on page 4, paragraph 7(IV), the hon. Finance Minister has informed us about all the various things that they have done. I would like to understand the difference because this is the difference which the hon. Finance Minister has himself established. What are the "intensive investigations" into Bupen Dalal's activities and if you can conduct raid on harshand Mehta group, why are you only

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conducting "intensive investigation" when it stands established that this B.C. Dalal is, in fact, an operator of much older standing and his size of the operations in this entire affair is much larger? Then comes Harshad Mehta. And what is difference? You raided the premises on 28th February 1992. What did you find on 28th February 1992? Between 28th February 1992 till the date that you arrested him, you permitted this largest possible scandal to continue. Having raided him, was it not the responsibility of the Government to immediately establish what was wrong? Why did you raid him in the first instance? And having raided him, why did you sit silent for months on end until the great scandal visited the country? We have the right to know and unless we know, what can we do?

Sir, I do want to know whom has the Enforcement Directorate arrested. You informed us that it has arrested three people, who are behind bars now. For what have they been arrested? Whom have you arrested? This statement is completely silent on the continued closure of the stock exchanges and the difficulties that small investors are facing and because the statement is completely silent, I find it very unsatisfactory on that account.

About the Reserve Bank, on page 7, Paragraph 9, the Government somewhat tangentially informs us that now these are the words used and I do not want to take the time of the House by quoting them again—"in retrospect" it appears that had the Reserve Bank Governor exercised greater care, etc., etc., and words to that effect. I can understand the Finance Ministers wishing to protect the Reserve Bank, a Bank which he headed with distinction at one time but does not do justice to the totality of the problems that the nation faces. When you cover up the Reserve Bank, which is the central regulatory Bank then you do a great wrong. It is not my submission that its Reserve Bank exercises day to day control over banks. It cannot possibly do so. That is not the function. The

Reserve Bank cannot run a small district bank. That is not its function. But simultaneously it is its function and responsibility, when scandals of this dimensions happens, to stand up and take note and then share with the Government what its happening. And for you to say this, it does not suffice. I take serious objection, Sir.

Does the Governor of Reserve Bank, somewhat loosely—and I say this with as much restrainable as is at my command—convey this opinion to papers, journals or whatever that whoever asks for his resignation is, in fact, doing so to protect the criminals or to scuttle the investigation? I think it is an unrestrained startlement. I would not wish to respond to that statement here because the Governor of the Reserve Bank cannot appear here and answer for himself. It is not proper, therefore, for me to comment on that statement except to say that it is without doubt an unrestrained statement. For the Governor of a Reserve Bank to make such a statement in the midst of the largest financial scandal that we have been witness since independence is not behoving of the head of the central bank of the country. The consulting is obvious and it is for the Government to draw and for the hon. Finance Minister to draw. Indeed, it is very easy for me to say what is to be said and it has been said regularly but because he is an officer who cannot appear here, I leave the conclusion to be drawn by the hon. Finance Minister. Certainly, the Government has to answer to us and to account to us about the utterances of an officer of the Reserve Bank.

There is a great deal that I could have elaborated further upon but as I said, the dimensions of this problem with which we are faced, are not merely accountancy in nature; they are not merely squaring up of the books. It is not merely, with due respect to the Finance Minister, recoveries of the dues which you have fraudulently permitted or rather you did not permit but they were taken away from the banking system. Of course, recovery of those dues is a priority but it is not everything that is to be done. In fact that is one out of many things that are to

be done. That is only a small aspect. You can recover thousands of crores but what is involved is the good name of the nation called India. I think India can afford not just Rs. 3000 crores or Rs. 4000 crores but even Rs. 35,000 crores but India cannot afford blackening of its good name. Therefore, transparency is the need of the hour.

Before discussion, my senior colleague, Shri Vajpayee suggested that if the Parliament is to now in these complex days of involved expertise performs its functions satisfactorily then you must open out the banking system to Parliamentary inquiry. We routinely ask questions about what is happening in Indian banks and routinely we are denied that information. Atal ji heads the Public Accounts Committee but if he has to ask something about the public banks, today he cannot obtain that information. Similarly, Actually ji who heads the Public Undertakings Committee cannot ask the information. So, we need this transparency; we need accountability and we need a system where Members of Parliament can be openly assisted by technical experts coming from highly technical fields.

I agree with one sentiment expressed in the statement with which possibly my friends and colleagues here will not agree but this is a view that we hold. This huge scandal is not a consequence of de-regulation or liberalisation of the economic policy. We do not believe it. I believe that in fact the residual regulatory system and the mal-functioning of those residual regulatory system is the contributory factor.

A Joint Parliamentary Committee has already been appointed. Very recently, in fact a few days, back there was a convention, upon the Basle Convention. I do not want to go into the Basle Convention. Internationally, following upon the Basle Convention in October there is going to be another convention on Banking and I commend to the Government that the points that have been accepted in the Basle Convention, certainly one that no foreign bank can be permitted to operate in India, if it does not

abide by our rules, our regulations and our provisions of law, should be accepted.

SHRI CHANDRA SHEKHAR: Why are you spoiling your speech? You please sit down.

SHRI MURLIDORA (Bombay South): He did not like your points. You have to speak whatever he likes. This is the point.

SHRI JASWANT SINGH: Within two minutes, I will conclude. I will not elaborate the point about Basle Convention. But I commend the findings if it. If any bank operates across country, then the Government of India should have a right to come to know across country on what basis, you operate it.

We will welcome the establishment of the Joint Select Committee. It is after consultation that that Joint Select Committee has been established or is going to be established. We will continue to point out what we think is wrong and we will continue to commend what our wisdom core judgement or lack of wisdom or lack of judgement tells us is the right thing. But, we will unstinting cooperate with you and with the Government in doing everything possible to restoring national economic health, and India's international standing so that vital national interests that subserve national security are preserved.

16.11 hrs

RE: RAM JANM BHOOMI -BABRI
MASJID ISSUE

SHRI CHANDRA SHEKHAR (Ballia): Mr. Deputy Speaker, Sir, I do not want to intervene in such a serious debate. But I want to share an information which is of a very serious nature. Already construction of temple has started in Faizabad. I shall appeal to Shri Advani and Shri Vajpayee that they should sit with Shri Narasimha Rao and Shri Chavan and save this country from a holocaust. I informed Shri S.B. Chavan, the