

14.37 hrs

DISCUSSION UNDER RULE 193

**Scam Involving Operations in Govern-  
ment Securities Running into Thou-  
sands of Crores of Rupees—**  
*CONTD.*

[English]

DR. DEBI PROSAD PAL (Calcutta North West): The artificial booming of the shares, consequent upon certain fraudulent transactions in the securities market, have rocked this House. Undoubtedly, it has shocked the common man and the people. But as the Prime Minister himself has announced with all that had happened. He has expressed in no uncertain terms that the ramifications of these transactions are to be probed and whoever is found to be guilty, has to be brought to book. The Government is not going to spare anybody, however, high may be.

The Prime Minister himself has made it clear before this House and has accepted the consensus of the leaders of the parties about the setting up of a Joint Parliamentary Committee. This Committee, being the highest body, will now examine and consider this question in all its various aspects. Therefore, the House is now seized of this matter and the Joint Parliamentary Committee will be now examining this question.

The Prime Minister has made it very clear that as a result of the new industrial policy the acceleration of the growth of economy in this country cannot be impeded. Therefore, for the speedy development of the industrial policy, he has announced in very clear and in no uncertain terms that the integrity of the financial institutions has to be preserved.

The Finance Minister also has categorically stated before this House that these fraudulent transactions have to be probed and what is needed is a speedy, coercive and penal action against the wrongdoers.

Therefore, the Government is very clear in its mind that whatever has happened has got to be examined and remedial measures are to be taken.

I was rather pained to learn, when Shri Jaswant Singh was addressing that he had a sceptic mind, when he says that whether this appointment of Joint Parliamentary Committee is merely a device to safeguard or to protect an awkward parliamentary situation.

I would have thought that after this clear and categorical announcement by the Prime Minister and the Finance Minister, the Opposition should have come forward for cooperation in the probe.

The Finance Minister's job, he has expressed, as an accountant's job. I am very sorry to say that what the Finance Minister has said is not the job of an accountant/cataloguing of things. He has expressly said what he has going to do and that has been announced, that he had to take measures for checking the internal weaknesses of a system which has produced this sort of disastrous results to the country. This is not an accountant's job. This is the job of a reformer who had come to the scene and who has tried to improve the situation as it exists today.

These transactions, what we call the scam, are not something new in a stock market. There are sometimes artificial boomings. We had the experience, much earlier, in the scandals which were made at that time in the case of share dealings Haridas Mundhra. At that time a Commission was appointed headed by Chief Justice Chagla.

These transactions had their history not during the time of this Government. Shri Shantilal Purshottam Das Patel a General Secretary of the Janata Dal and a Member of the Janata Party and a Member of Parliament, wrote a letter to the then Finance Minister, Prof. Madhu Dandavate on the 1st October, 1990, pointing out how artificial boomings were being indulged in by certain

unscrupulous persons. And the names which have now gained currency, the names of Shri Harshad Mehta and Shri Bhupan Dalal, all these are mentioned in the said letter which was sent to the then Finance Minister, Professor Madhu Dandavate on the 1st October, 1990.

After that a second letter was addressed to him on the 9th October, 1990, pointing out the irregularities in the Share market transactions. At that time the scam was Rs. 100 crores. If investigations were made at that time by the Prime Minister Shri Vishwanath Pratap Singh and probings were made the scam could not have swelled to this Rs. 3,192 crores. Therefore, what is the explanation the then Prime Minister is to offer?

I was listening with great interest the answer which he was making, when he was cross-examining our Finance Minister. May I put only one question to him? I should have asked him at that point of time, but I generally avoid interruptions. I do not indulge in interruptions as I do not like that when a speaker is making his speech unnecessarily he should not be interrupted in his speech. Therefore, I kept quiet. I am asking the question to him. What steps did he take at that time? He is in the dock today. If the proper investigations have been made at that time, if the examination could have been done by the CBI, then perhaps it could have been unearthed at that point of time.

What is the explanation for the fact that the LIC Mutual Fund gave Rs. 50 crores to Bank of Karad at that time? This was pointed out and no measures were taken at that time by then Prime Minister, Shri Vishwanath Pratap Singh. He had no face to say anything and the only course open to him is that he must explain his own conduct.

In the case of artificial boomings of the shares undoubtedly certain unscrupulous brokers in collusion with certain bank officials both of the nationalised banks and of the commercial banks and even of the foreign banks also had indulged in these transactions.

There was this Janakiraman Committee which was appointed by the present Government. The Janakiraman Committee in its report pointed out that there were certain collusions, connivances with certain bank officials.

Now V.P. Singhji was pointing out that in the market, if a cheque is made 'Account Payee, then it should go to that account. Undoubtedly that is the banking law. But the commercial practice has developed- there may be a lacuna in the system- that if a cheque is drawn upon the Reserve Bank of India in favour of any these banks and there is a paying slip or an instruction is given, then the amount which is represented by the cheque may be permitted to go to the account of the persons whose name is there in the paying slip. It may not be a healthy practice. And that is how Harshad Mehta's account was credited even though the cheque was issued in the name of Reserve Bank of India. This is a system, which I do not certainly approve. The system has its own inherent weaknesses. Therefore, we have got to see how these weaknesses can be removed. But the fact is that there have been these unscrupulous brokers who have taken an advantage. They could not have done so, it is true, without the connivance of the commercial banks and the nationalised banks and the foreign banks. This started in February 1991 when the present Government was not in power. It started in February 1991. Shri Shantilal was a member of the Cabinet headed by Shri Chandra Shekhar at that time. In February 1991, it started in U.Co. Bank. In April 1991, the Reserve Bank of India could detect certain irregularities in these transactions and immediately the State Bank of India was called to explain and to reconcile what is called the S.G.L. Ledger Account. When this could not be done to the satisfaction of the Reserve Bank of India, immediately in July 1991 the Reserve Bank of India issued very strict and rigid instructions to be followed by the commercial banks, by the nationalised banks and by all the banks. If those instructions would have been followed in a rigid manner, perhaps these types of transactions could have been

avoided. But the commercial banks, the nationalised banks, the foreign banks did not follow these instructions rigidly. And that is why, these sort of transactions could happen. But Janakiraman Committee was set up immediately when the Reserve Bank of India found these irregularities - in the Janakiraman Committee gave first interim report on 2nd June 1992 - immediately the present Government issued an ordinance by which a special court was set up to try these offenders; immediately a custodian was appointed to attach the assets and the properties of those who have been involved in these transactions and who have been found guilty. And even the properties of a large number of persons had been attached by the custodian because they were found or they were apprehend to be involved in these transactions. These special courts have been allowed to function. A regular trial will be made by these special courts. The CBI investigations have been allowed to be speeded up. In a democratic country, you cannot haul up a person until a proper finding or a proper charge has been made against him. The Income-tax authorities have also been authorised to search the premises of doubtful persons, who may be linked up or who may be involved in these transactions. And many of the persons, whose premises were searched by the Income-tax authorities and action has been taken against them. So, the Government is not lying idle. One must not forget that the Reserve Bank of India is given power under the Banking Regulation Act. Under Section 27 of the Banking Regulation Act they can call for the information from the constituent banks and they can verify the information. They have the power to give certain directions under Section 35(A) of the Banking Regulation Act, when there is a transaction between the banker and its customer, the broker. The Reserve Bank of India does not come directly into the picture, the Reserve Bank cannot act, as the Finance Minister has himself pointed out as a micro analyst of the various transactions. The Reserve Bank of India has the power to make supervision, to give proper directions. The directions were given in July, 1991. But, those were not properly followed up by the

banks and that resulted in all these transactions. The Reserve Bank of India had issued new guidelines immediately so that these guidelines are strictly followed, and also regulatory measures have been taken.

There is undoubtedly an inherent weakness in our banking system. We must admit it because these accounts of the commercial banks, the nationalised banks, even the foreign banks should have been scrutinised by independent auditors and there should also be an external audit and whatever irregularities are found out, there should have been a transparency of all these transactions before the public eye. But that was not done. Now, the Finance Minister has announced that there shall be concurrent audit, internal audit of the banking system and also external supervision by the competent auditors. Internal auditors must be given enormous power so that if they can detect irregularities, if they can detect certain irregular transactions, they can immediately bring it before the appropriate authority.

The Government has already appointed the Narasimham Committee and Narasimham Committee has made recommendations that there must be external supervision by a competent authority, which will be an independent body so that the transactions in the banking system might be independently scrutinised and also regulated. The Government has accepted those proposals. The Finance Minister himself has announced that the Government will be setting up a proper body. The Security Exchange Board also have been given larger powers to scrutinise these transactions and if necessary to report upon it. Now, what can the Government do? Nobody has pointed out that in all the transactions the Government is involved. The transactions are between the banker and the broker. The bankers, it is now told, had issued loans and advances against BRs which were sometimes forced and which were not also backed up by adequate security. The SGL had not been properly reconciled. Now, if these transactions have taken place due to the irregularities in the system all that the Gov-

ernment can do now is to be alert. I submit that these things started even much earlier. If, it could have been examined and proved at that time then, perhaps, it could not have swelled to such a magnitude.

Therefore, what I submit before this House today is that we are having a Joint Parliamentary Committee and the Joint Parliamentary Committee is in seisin of the whole situation and the House will now make its recommendations after examining all the points. Therefore, the highest body in this country is now in seisin of the matter.

Now, Shri Vishwanath Pratap Singh was telling that this scam has been connected to the new Industrial Policy and is the result of the Liberalisation Policy. There is a saying in our Sanskrit, what is called *kako Talio Jukti*, namely when the rows flys and something falls, the fall is attributed to the crow itself. It is something which is really astounding. The New Industrial Policy aims at the acceleration of the economic growth by emancipating the economy from the cobwebs of bureaucratic control. Trade polices, industrial policies, fiscal policies, monetary policies have been adopted in order to develop and promote the New Industrial Policy whose primary object is to improve production, to improve efficiency, to improve the national economy, so that the economy can stand on its feet, the economy can stand on its legs.

Whatever one may argue it is clear that this new Industrial body has got nothing to do with the security scam, security scam has resulted because of certain unscrupulous conduct, certain unscrupulous transactions in collusion with certain officials. This can happen at any time. But to equate and find out that new liberalisation policy is responsible for it, is nothing but an argument of despair, an argument of frustration, because the Opposition now could not say anything about the New Industrial Policy....(Interruptions) I am accustomed to this type of interference but I do not mind it. I welcome it....(Interruptions).

The New Industrial Policy aims at im-

proving the economy, liberalising the economy, so that the economy can stand on its own feet, so that the economy is not to depend upon certain subsidies and certain bounties. There may be weaknesses in our banking system, because of lack of proper internal check, because of lack of external supervision, and these have been found out. Therefore, the Government is trying to improve upon the system.

Undoubtedly, the security scam has affected the capital market. There is no doubt about it because today the capital market is almost in a very dormant position and if this continues, it might effect our economic programme. I would request the Finance Minister to consider whether it is possible to open the capital market for free transactions and to persuade the people to enter into the stock transactions in the capital market. We must not forget that India's capital market is one of the largest in the world. In 1991, our capital market was 91 per cent in growth. In USA, the growth was only fifteen per cent, in U.K., the growth was only fifteen per cent and in Japan it was only one per cent. Therefore the capital market is one of the largest in the world and, as a result of this security scam, the capital market is going to be undoubtedly affected. It will affect the economy. Therefore, I request the Finance Minister to find out ways and means as to how early the capital market can be opened for regular transactions. Once the regular transactions start, I am sure, the market forces will ultimately settle down and the economy will be rescued from the State-~~ment~~ it has reached today.

I must frankly confess that the Opposition should have taken a more constructive attitude. Once the House has been ~~in seisin~~ of the matter, there is no question of only blaming the Government. The Joint Parliamentary Committee now has to examine the entire transactions in all their various aspects. Even the Prime Minister today, on the floor of the House, has made it very clear in categorical terms that there is no interference with the investigation.

15.00 hrs

If anybody is found guilty, he will certainly be properly dealt with. After this assurance there should not be any scepticism in the minds of the Opposition. The Opposition should now come forward and lend their assistance in the deliberations of the J.P.C. where all the parties will be properly represented. There is no sense in saying that the appointment of the J.P.C. is only a device to save an awkward parliamentary situation. This grows out of frustration because the Opposition knows that after the appointment of this committee it is not the Government but the entire House that will not examine the matter.

Sir, I want to make one submission before this august House. The transactions, undoubtedly, are very unfortunate. But, at the same time, we have to find out the truth so that its recurrence may not occur again. We have got to find out the disease and cure it. We should find out as to what are the reasons for which this sort of security scam could develop? There were internal leakages. But proper check was not there. The bankers also did not play their role properly.

The Finance Minister has clearly stated that the Reserve Bank of India did not play its role as effectively as it should have been. That is a clear admission that the Reserve Bank of India has undoubtedly failed in the onerous duty which has been thrust upon it, it being the central bank. But then, if it has not been done, proper enquiry should have been made. Without finding out the result of the enquiry, which is made available before this House or before the public, one cannot say who is responsible and who is not. We cannot proceed upon suspicion in a democratic country. The examination, the enquiry is being made and we should allow the enquiry to proceed in its full-fledged manner. Whatever be the report of the enquiry, if the Government does not take proper action after the submission of the report, then only the Government shall be answerable. At the

present moment it will be too premature or it will be too early for the Opposition to say that there is no sincerity on the part of the Government.

The hon. Prime Minister has made it very clear in his statement, not once but on more than one occasion, that the Government is not hiding anybody. He said it in no uncertain terms. The Government will take proper steps once the truth has been found out. I submit that there should not be any such criticism against the Government till then.

I have told about the steps that have been taken by the Government. What more has to be done? I put this question to you. I put this question before House. On the 2nd of June the Janakiraman committee submitted its first report. Immediately, on the 6th of June the Government issued the ordinance setting up the special court and setting up the custodian to attach the property of wrong-doers. The Government itself has speeded up the enquiry through Central Bureau of Investigation. The Government itself has made attempts through C.B.I. and also various other agencies for making the investigation more effective. The S.E.B.I. has been vested with larger powers. Concurrent audits have been established so that the auditors may find out the position. The transparency of the issue has to be made so that it can be brought before the public exposure.

I submit that public exposure can be much more effective and can be effectively dealt with, if there is the computerisation of the entire banking transactions. The Government is also taking steps so that the transparency of the transactions may be quickly made available. What else can the Government do? The Government is taking all the measures with the sincerity at its command. The assurances of the Prime Minister and the Finance Minister would make it very clear that the Government is not going to brook or tolerate any action of wrong-doers. Even in spite of all this, if the Opposition feels sceptic, then they suffer

from what is called 'a sense of despair and frustration'.

I submit that they should come forward and support the measures adopted by the Government. (Interruptions)

I submit that during the time of Shri V.P. Sing the security scam had started. Shri Shanti Lal, the General Secretary of the Janata Dal and a senior Member of Parliament wrote a letter to Prof. Madhu Dandavate pointing out the security scam. At that time it was to the tune of Rs. 100 crores. I want to know what Shri V.P. Sing was doing at that time. Shri Shantilal Patel became the Minister during the regime headed by Shri Chandra Shekhar. What steps had that Government taken? In February, 1991, these transactions were entered into. The Janakiraman Committee said that even in April, 1991, these transactions were there. Our Government did not come to power at that time. As soon as our Government came into power in July, 1991, the Reserve Bank of India issued instructions for regulating the transactions more strictly.

Therefore, I would submit that whatever criticisms have been made, they are all ill-founded and have no basis. I would again appeal to the Members of the Opposition that they should accept the appointment of the Joint Parliamentary Committee and the measures taken by the Government in the same spirit in which it has been announced and there is nothing for the Government to hide, because the Government is trying to find out the truth and adopt remedial measures.

With these words, I conclude my speech.

15.06 hrs

SHRI SOMNATH CHATTERJEE (Bolpur): Mr. Deputy Speaker, Sir, we thought that there will be nobody to participate in this debate on behalf of the Congress Party. Now, the peroration we have just heard has somewhat lightened our task, because he has admitted every-

thing. He said, there are fraudulent transactions, there are disastrous results, there are weaknesses, there are unscrupulous brokers, there are unscrupulous officials and he has only omitted unscrupulous politicians. He has carefully avoided going into the reasons of it and he has no suggestions to make except depending on the Joint Parliamentary Committee. But, he has advocated that it is not the result of the new economic policy and the new industrial policy has brought about a great improvement in our system. The industrial production has gone down, the agricultural production has gone down, there is more unemployment and price rise is going on unabated. This is the wonderful improvement that our Finance Commission member has seen. With this 'jaundiced eye', he will decide our Centre-State financial relationship! With great acumen- I do not know who has given him all this information he has found out that there was a letter by one Janata Dal MP.

DR. DEBI PROSAD PAL: The information is in the Press. In the *Free Press Journal* of 21st and 23rd July, it is there.

SHRI SOMNATH CHATTERJEE: I am not contradicting. I am glad that he reads *Free Press Journal*. I do not know who has given him that copy. Obviously, he had got a copy of it.

DR. DEBI PROSAD PAL: Prof. Madhu Dandavate had admitted that two letters were written to him.

SHRI SOMNATH CHATTERJEE: Sir, earlier we were told of having the bad habit of interrupting others. He has specialised in that bad habit now.

Sir, we are not surprised with this scandal, because the Congress Government and the scandals, they are cosy bed fellows. We have seen so many scandals. I have had the privilege of being in this House from 1971 and we have seen so many scandals. Therefore, we are not surprised. Now, everything is being put on systemic weakness. What is this systemic weakness? (Interruptions) The

Congress Government's systematic failure is now being covered under the so-called systemic failure. What is this systemic failure? It is said that the bank,s have not functioned properly. There is no proper mechanism of looking into the bank's activities, their functioning, their indiscretion, their frauds. Supposedly there is no method.

If I ask the hon. Finance Minister, he has to find out some excuse to justify that this is not the result of his great policy. We have even to import an American version. We cannot describe it in ordinary word 'scandal'. That would not do here. The American word 'scam' has to be brought in here to explain the magnitude of the perversion that has taken place in this country. If it is a failure of the system, then individual does not matter. It will fail in any event, whatever may be the individual's role. But here why are you blaming the individuals? Why are you blaming some corrupt officials and corrupt bankers or corrupt brokers? What is the failure of the system? You are saying that it is a failure of the system of control mechanism. In whose hands were they? You have set up Dr. Debi Prasad Pal as your spokesman and he was shedding tears about the Janata Dal's alleged failure to investigate into the so called scam of the magnitude of one hundred of cores of rupees. But not a single drop of tear is therefore, this Rs. 3,500 crore scandal, when hundreds of thousands of ordinary investors, ordinary people have invested by borrowing money from their provident fund or invested their gratuity amount in these share transactions hoping to get some money. The Minister of State for Finance had gone on TV and his face was glowing on TV—"This is the success of Our policy. Look at the boom in the share market, inviting people to participate in the loot. Now these people are today pauperised and this Government has no shame. We have a central bank in this country in the shape of Reserve Bank of India. We have Department of Banking. We have a Ministry of Finance. We have the entire set up, the entire paraphernalia. But the result is, today the public funds to the extent of namely Rs.4,000 crores have vanished into thin air. Nobody is able to trace

it. Has it gone abroad? With whom is this money available? The Government of Indian has to tell us and tell the country. Hundreds of people are today pauperised. But how our Government of India goes on glibly! Whose responsibility is this? What is the good of having the Ministry of Finance, Department of Banking, Reserve Bank of India and so many other investigative agencies if you cannot find out? It is being said that Shri Madhu Dandavate did not make an inquiry. But on July 26, 1991 Reserve Bank of India itself sent the letter to the banks. That letter shows all the present so called discoveries of ready forward, double ready forward, whatever language is everything was mentioned in that letter of the Deputy Governor of the Reserve Bank. Ready forward, double ready forward sales, transactions by issue of bank receipt which are not actually holding the security, everything was mentioned on 26th July, 1991 letter. Why did you not hold the inquiry? What is the new thing that you have found out since July, 1991? That is why I say say that this is a strange country we are living in. It is very easy to try to shift the responsibility. But we would not allow the JPC to be the escape route for you, Mr. Finance Minister or the Government of India, if you think by agreeing to JPC, you have done a great gesture. It was not your concession. We demanded it because you have no answer to these charges. Therefore, you have to accept the appointment of the JPC. It is not charity, no gift to the people of this country. Today we are told that a proper inquiry is being made.

I, very carefully, heard the hon. Prime Minister. What can he do? He says: "My Ministers are all good." How do you know? Because, they have said: "You are good." He says: "The PMO is not responsible." How do you know? He says: "My officers have said that they have not interfered. Therefore, PMO is good." Naturally, he has to say that. But how can he say so? We are not saying that he has any personal information. How can he have any personal information? But the result is that since Shri Jaswant Singh moved this Motion, one Minister has gone and one Member of the

Planning Commission, the most powerful Member we were told, who supposedly worked wonders in Maruti, SAIL and where not, and who had the great distinction of chaperoning Harshad Mehta to the Finance Ministry, the North Block, inviting him to go and visit the Finance Ministry, has resigned. But with whom had he talks except the Finance Secretary? We do not know anything. But what was the talk that the Finance Secretary had with him? The talk was how to bring in money from the foreign country. What was the discussion? What was the agenda for discussion? Why did he agree to meet Harshad Mehta; for what purpose? These things are not said.

Mr. Deputy Speaker, Sir, I do not wish to go into whatever we have come to know from newspapers and from experts and so on about the *modus operandi* of how these things had been done. The statement of the hon. Finance Minister which was made on the floor of the House on the 8th of July is sufficient condemnation of the Government, its functions, of the entire financial sectors' functioning. The hon. Finance Minister has been telling us that, since he has assumed the charge, our financial sector is very strong; our banking system is very strong; the Narasimham Committee has said that our banking system is very good; it is a very powerful banking system; it says that the Indian Banking and financial system has made commendable progress in extending its geographical spread and functional reach; the spread of the banking system has been a major factor in promoting the financial intermediaries in the economy and in the growth of financial savings." Sir, today, we are told by Dr. Debi Prosad Pal that you have adopted this report. We were told by Dr. Debi Prosad Pal that you have adopted this report. We were not told that earlier. I hope he has not got the authority to say that.

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): Please read the rest of it.

SHRI SOMNATH CHATTERJEE: You read it. If I omitted some portion, you read

it... (Interruptions) With your permission, may I read the concluding portions that are written here?

"As the foregoing chapters have indicated, the Indian financial system has made impressive gains in the last two decades except that 11 months, in resource mobilisation, in extending its geographical and functional reach..."

Sir, the whole superstructure of this new economic policy, new industrial policy, new trade policy was based on this banking system, proper functioning of the banking system. Otherwise, you cannot do it.

Sir, we have been telling, for years, the Government of India not to tinker with this system. What has happened? We have been warning this Government that the Indian nationalised banks have been utilised for serving your petty personal and political ends. You are giving the largest sums to blackmarketeers, profiteers, big business houses and monopoly houses only. They are enjoying the fruits of these nationalised banks. 86 per cent of the investments of the banks have been in favour of the industrial houses and monopoly houses, the tax-evaders and tax-dodgers, for speculation purposes, for the purpose of hoarding foodgrains. We have been saying that. We have seen the horrendous examples of the banking practice like Loan Melas. We have seen how, on political reasons, on personal reasons, the Ministers have treated the banks as their personal fief. How have the appointments to the post of Chairman and Managing Directors taken place? Whoever is the Minister, he becomes the overlord. Appointments are made. We know what happened in the case of so many recruits from Mangalore. How did it take place? Shri Chandra Shekhar know it, who was a great advocate of Loan Melas. Those persons are being today castigated by them. Who selected them? Did you not select them? Who has selected them? Who put them in a responsible position? Now it is very easy to say that they are fraudulent people, they are corrupt people. And this is a sorry attempt, almost

cadaverous attempt made by the Congress spokesmen to pass on their entire responsibility to Janata Dal Government. If they have done anything wrong, criticism them. But you cannot arraign them if the people have given their verdict. But what about you? Is this the way you are going to tackle the situation- try to pass on somehow the responsibility to some bankers to some officials and the political authorities who sit there trying to give economics to the Prime Minister and the Finance Minister saying, "great things we have done, we have appointed JPC and what more do you want?" As I said, I am not going into the *modus operandi* because I know the JPC will go through it and I have faith in our parliamentary democracy in spite of the continued and reckless effort to undermine the system by the Congress Party. That is their culture.

So far as the statement of the hon. Finance Minister of 8th July is concerned, he says, "I have been frank." What else can you do? How can you put all these under the carpet? Everything has come out now. I would like to know from the hon. Minister certain things. I would like to know, as you have said that Rs. 3,500 crores and odd have been lost, where has this money gone? What is your present assessment? How much of it has gone, according to you, abroad? Who has sent the money abroad? Where is the rest of the money? How much money of ordinary people has been lost? I would like to know from the hon. Finance Minister how did they assess the boom in the share market? What did they think about it? What was the assessment of the Government of India headed by Shri P.V. Narasimha Rao of which the worthy Finance Minister is Dr. Manmohan Singh, to whom, he knows, I have personal regard in spite of his being in a bad company? These are very important things. How many persons, ordinary people have lost money? I would like to know under what pretext, under what authority, under what consideration, the banks made available thousands and thousands of crores of rupees to the share brokers? It reads like an Arabian Night story. A man who was virtually a penniless only five years

ago, is today the owner of five per cent of shares of ACC, five per cent of shares of Apollo Tyres, five per cent of the shares of VIP and his collective worth because Rs. 500 crores in five years. He makes this Rs. 500 crores in five years. What is the Income-Tax doing? How did he acquire such assets? He was on the cover of almost every economic journal of this country who are supporting this Government. All these economic journals and most of the big newspapers of this country are supporting this Government. They were projecting him as a new Messiah of the market economy, of the free economy, of booming stock market which is supposedly indicative of a strong economy in this country. It is being flaunted in the newspapers that supposedly his one motor car is of 45,000 dollars. How did he come to acquire this? What is the income-tax finding on this? What was the income-tax assessment of this man?

Sir, I remember, one day I had asked there was an income-tax investigation on him and he supposedly entered into a settlement with the income-tax authorities by paying Rs. 20 crores; I never thought that so many thousands of crores of rupees are involved- where from did he get Rs. 20 crores? There was no answer. He issues Rs. 622 crores by one cheque-one cheque or two cheques, I do not know, the Finance Minister may kindly correct me- which he gave to State Bank of India. How does this man get all this money, who was nobody? It is being said— please correct me— that he had Hot Lines connecting directly with the dealing room of almost every large bank in this country, from State Bank of India, to the Bank of India, and from Citi Bank to Grindlays Bank.

Sir, for the last three years, this gentleman, Shri Harshad Mehta— it is my information; let them correct me if I am wrong because I have no personal knowledge I am not a broker or owner of shares; I wish I had, and I could have made some easy money with or without the application of mind— he is having transactions, which account for half of the Rs. 6,000 crore trades daily in the

country's security market. The average daily transaction was Rs.6,000 crore and he was monopolising half of it for the last three years. That is why, the red carpet was placed for him in the North Block. We need not try to establish his connections or his close contacts with the Planning Commission members because the Planning Commission member took him and he had to go now. Then, there is admittedly a meeting with the Finance Secretary— with other officials or not, I do not know.

Today, he is being abused rightly, criticised rightly and hounded rightly.

15.26 hrs

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

SHRI CHANDRA SHEKHAR: (Ballia): Shri Somnath, just a minute. Mr. Chairman, there is one very unfortunate situation in this House. In the morning, there was a suggestion that the Finance Secretary met that particular gentleman or non-gentleman or whatever you say, and the hon. Finance Minister said that he will come and say whether other officials were present or not. It is very unfortunate that a particular officer who cannot defend himself is being charged because of the inaction or for silence of Shri Manmohan Singh and Shri Narasimha Rao. It is not proper, Mr. Chairman, that officers are just blamed. And if one man is caught—some gentleman, who is no more, was the Chairman of some Bank—the hon. Finance Minister got up and said that he was appointed by the other Government. This is not the way to run the administration. This is not a responsible statement from a Prime Minister and from a Finance Minister. If some thing has been done, the responsibility should be owned by the Finance Minister and the Prime Minister. And if they cannot own the responsibility for the doings of their officers, they had no business to remain in the Government even for a minute.

SHRI MANMOHAN SINGH: I would say that I accept full responsibility for what

has been done by the Ministry of Finance officials. There is no intention, on my part, to disown my responsibility for their actions.

SHRI CHANDRA SHEKHAR: I have nothing personal, Mr. Chairman. But I shall like to know, because by his statement in the morning, it appears that the Finance Secretary was solely responsible for this meeting. Whether he is taking the responsibility for that meeting or not, he should come and tell before this House squarely.

SHRI MANMOHAN SINGH: I can do so right now. I do not think that Finance Secretary did anything wrong in meeting Shri Harshad Mehta. It is only because....

SHRI CHANDRA SHEKHAR: Do not try to play with words.

SHRI MANMOHAN SINGH: I am not playing with words.

SHRI CHANDRA SHEKHAR: Mr. Chairman, the charge has been made by Shri V.P. Singh, yesterday. And he said that the Finance Minister should come before the House with a statement giving the facts. The problem, Mr. Chairman, is that if somebody is caught then he is guilty and others are innocent people and honest people.

How long are you going to play this game and for how many days? How many people are going to be victims of this mal-laigning campaign? Today the Prime Minister came after fifteen days to say that no minister is involved because he has no information except what the Ministers have said. Ten days back I asked how this Government can function when everyday in the Press and in the Parliament it is being said that they are under a shadow of doubt. Now has come to not only the ministers, but to officials, everybody and the Prime Minister and the Finance Minister are keeping quiet over it. They come out with a report by one Deputy Chairman of the Reserve Bank is under a shadow of doubt. Why did you not say a word about the Governor of the Reserve Bank but the whole Reserve Bank of India?

Because you are afraid of him. You have no courage to say a word against the Governor of Reserve Bank of India. I say it deliberately.

**SHRI MANMOHAN SINGH:** I am sorry; I strongly repudiate it. I am not afraid of anybody.

**SHRI CHANDRA SHEKHAR:** You are afraid of Mr. Venkitaraman, the Governor of Reserve Bank of India.

**SHRI MANMOHAN SINGH:** I repudiate it. I think there is no basis for the charges that have been levelled by Shri Chandra Shekhar. I challenge him. He has been saying earlier also about me that I dare not criticize the Governor because he has certain things. Now I challenge him here and now to reveal what he knows...*(Interruptions)*

**SHRI CHANDRA SHEKHAR:** All right, I reveal. I went to know from Shri Manmohan Singh....

**SHRI MANI SHANKAR AIYAR** (Mailaduturai): You ran the most corrupt Government this country has ever known.

**SHRI CHANDRA SHEKHAR:** All right, that was the most corrupt Government because I was in your company. I accept it. I do not answer those things.

Mr. Chairman, according to the statement by Shri Somnath Chatterjee, the Reserve Bank issued a directive in July. Why that directive was not followed? Why the directive of the Reserve Bank Governor was flouted by the respective banks and what has the hon. Finance Minister been doing since July to this date? That is the charge that I make. That was the connivance for this scam and all these dirty games in the Finance Ministry.

**SHRI MANMOHAN SINGH:** Connivance may have taken place under your regime. I will answer you on all these points. I am not in that business. You are attributing to us the scandals of your regime.

**SHRI CHANDRA SHEKHAR:** Whatever you may say, I raised a specific issue. In July the directive was issued. Why that directive was not followed by the different banks?

**SHRI MANI SHANKAR AIYAR:** Why did your Government not issue the directive?

**SHRI CHANDRA SHEKHAR:** I do not discuss it with you.

**SHRI MANI SHANKAR AIYAR:** I also do not discuss it with you.

**SHRI CHANDRA SHEKHAR:** I shall like to know who is responsible for not implementing the directive of the Reserve Bank and what the Ministry of Finance, the Banking Department of the Finance Ministry and the hon. Finance Minister were doing all these months if these directives were not implemented?

**SHRI MUKUL BALKRISHNA WASNIK** (Buldana): Shri Chandra Shekhar is running away from the allegations which he has levelled. He has very categorically stated that the Government is not taking any action against the Governor of the Reserve Bank of India because this Government was involved in certain deals. He is absolutely deviating from this now.

**SHRI CHANDRA SHEKHAR:** This is what I say even now.

**MR. CHAIRMAN:** This cannot go on. Mr. Somnath Chatterjee, you had the floor. Why did you yield? You ought to continue. You were doing very well. Let us behave ourselves as hon. Members of this hon. House.

**SHRI SOMNATH CHATTERJEE:** What I was saying was how this person, one share broker, became so rich, so affluent, so powerful having direct access to the highest echelons of this Government, the Finance Ministry also.

I am asking them and let them explain. I do not know the sinews of the functioning of the North Block or the South Block or for that matter the Reserve Bank of India. I do not know and I am only a tax payer.

Sir, so far as this gentleman is concerned, we know that Rs.622 crores was paid by a cheque or cheques. That State Bank of India, after these things came out, asked Harshad Mehta to pay Rs.622 crores. He has given that cheque. How did he get that money? Whatever we have found out is—please correct us if we are wrong—that he handed over certain Bankers Receipts to National Housing Bank (NHB), obtained cheques in the name of the State Bank of India or some other banks. But they were credited in the accounts of Harshad Mehta. Dr. Debi Pal has been trying laboriously to justify that this can be done because the commercial practice was such. All right; it is otherwise illegal. But commercial practice approves of it. (Interruptions) I did not interrupt you. Please sit down. I am not yielding.

MR. CHAIRMAN: Please sit down. Kindly do not interrupt him.

SHRISOMNATHCHATTERJEE: How did these cheques go to the accounts of Harshad Mehta—the cheques which were not drawn in the name of Harshad Mehta?

Then what happened is that, he gave certain Bankers' Receipts to National Housing Bank which is a subsidiary of the Reserve Bank of India, got those cheques for Rs.622 crores and took back these Bankers' Receipts from National Housing Bank, promising to deliver securities which he never did. When did you come to know of this? What action did you take? What is the clout of this person if he goes to National Housing Bank, gives bogus Receipts, gets a cheque in favour of 'X'. deposits in his own name, then goes to the National Housing Bank, gets back the Bankers Receipts and flies away? (Interruptions) I should be there with so many other persons. We have to find out those persons. (Interruptions) That is the

point. (Interruptions) Something more has come to light. Please correct me. I never try to pose as an all-knowing person because in the labyrinth of the Government functioning, so much attempt is being made to suppress the facts; it is very difficult to get the facts.

National Housing Bank never claimed any money from the State Bank of India on account of any trading on the securities, so far as securities are concerned. But, in the first week of June, suddenly, the National Housing Bank demanded a sum of Rs.707 crores from the State Bank of India. Something very interesting has happened. A meeting was held of the Central Board of the State Bank of India at Bombay on the 11th of June 1992. I anticipate that you have already got the date; otherwise please not down the dates. Two persons were present at the Board Meeting of the State Bank of India. I am not making any allegations against them and therefore, I can take their names. They are, Mr. Janakiraman, the same gentleman who has made this inquiry and Mr. K.J. Reddy, Additional Secretary, (Banking) who is now officiating Chairman of the National Housing Bank. These two gentlemen attended the SBI Board Meeting. Although SBI had no liability to National Housing Bank, to put some sort of semblance in the accounts of the National Housing Bank, they have forced SBI to issue a cheque of RS. 707 crores in favour of the National Housing Bank. That cheque has been credited in the account of National Housing Bank by debiting the State Bank of India.

I have got a copy of a letter from Mr. Madhavan, Managing Director, State Bank of India dated 15th July probably. It is clearly stated there.

"Certain receipts and payments are disputed and we had to make a payment of about Rs.707 crore to National Housing Bank under protest."

Why was this money taken out of SBI and paid back to National Housing Bank? Why did Mr. Janakiraman and Mr. K.J. Reddy

agree to this? For what purpose? Why suddenly was National Housing Bank's fund position sought to be improved by debiting State Bank of India when there was no liability of the State Bank of India which is our principal exchange bank in this country? Why was it made to lose Rs.707 crore? An explanation is needed because an impression was sought to be created because things came out, National Housing Bank's heavy loss of over Rs. 1,700 crore, if I am not mistaken- and some sort of a little improvement in the account position of National Housing Bank was attempted in this way.

It is the biggest scandal of this country, if not in the whole world. I find that the CBI spokesman of this Government has admitted that this is the biggest scandal in the world. Very very unfortunately, we do not seem to have any prospect of getting any medal in Barcelona. I convey my best wishes to Leander Peas, Ramesh Krishnan and Limba Ram. They are the only hopes we have there. But in the Guinness Book, this scandal will be 'No.1'. (Interruptions) There is no doubt about it. We have made our position permanent in the history of scandals in the world.

I charge that this Government has been trying its best to cover up this scandal because in July 1991, you knew of this scandal. You suppressed this.

SHRI MANMOHAN SINGH: The hon. Member has referred to two individual Directors of the State Bank. I would like to clarify this. Since the hon. Member has made a reference to two Directors of the State Bank, I thought I should like to clarify the position right now. The position is that the National Housing Bank had issued account payee's cheques in favour of the State Bank of India. Those cheques were credited by the State Bank of India into the accounts of a particular broker even without any pay-in-slips to which my friend on this side made a reference. That was the reasons why these payments had to be made.

SHRI SOMNATH CHATTERJEE: The State Bank of India was paid Rs.622 crore. That was the position.

SHRI MURLI DEORA (Bombay South): But they wrongly credited to the account of the broker. (Interruptions)

SHRI SOMNATH CHATTERJEE: This is the trouble. Representing Nariman Point does not mean that he knows all the facts. (Interruptions) you may represent Nariman Point where all the 'gadbad' is going on in this country (Interruptions)

Kindly ask them not to interrupt. (Interruptions) Make a relevant interruption and not an irrelevant interruptions.

The point I was making with your kind permission is that the Government has not come out openly with regard to these dangerous tendencies. The dangerous trends were going on in the securities market. You come to know of it in July, 1991. It was never brought out. I must congratulate some journalists and some newspapers- not the newspaper - owners- who published this. Because of their efforts, the country has come to know of this.

And I remember, Sir, and the Finance Minister then said that some mischievous propaganda was being made in the newspapers initially. Then there was cloud burst and everything became clear. There was an attempt to vilify some journalists and correspondents and I cannot but congratulate those journalists and correspondents and those papers who ultimately published these things and brought it to the notice of the people of this country. Now, once it has come out, great effort is being made by Dr. Debi Prasad Pal to somehow make out a case and say that the new economic policy has nothing to do with it. Who gave the impression of a boom and that the boom is the result of this economic policy? Who gave concession in the capital gains? Who abolished the wealth tax? Who did it? Who reduced the income tax on share transactions? To whom was the capital gains tax

benefit, income tax benefit, wealth tax benefit given? Who are making money in the share market? Who were making money in the securities market? They were being given special benefits and special tax concessions so that the boom may continue and you can project to the world and to your friends in America and capitalist countries that with the IMF and World Bank blessings, you have achieved wonders. A ten rupee share of a company which has been lying closed for five years is sold for Rs. 1000. We have a wonderful economy in this country. Those companies have not existence, probably now even a table and chair. And Mr. Rameshwar Thakur did not find them for the purpose of accounting but their shares are sold in the stock exchanges at inflated figures which is unimaginable. Even the established companies which have a reputation of serious functioning have their shares sold at unimaginable rates. No inquiry was made. There was no doubt in the mind of the Finance Minister and the Finance Ministry, if it has got any mind. How did it happen? Why is it happening? Why is there a sudden change in this? Today you have admitted that it is Rs. 3500 crores already. When there has been no in-depth study by Mr. Janakiraman, it is already Rs. 3500 crores and what you have got is against only Rs. 250 crores which you are showing to the people as proverbial crocodile.

We had repeatedly said that this new economic policy is not only a complete surrender to U.S. capitalism the IMF and World Bank axis but is to take away our economic independence and to thrust upon this country a financial and economic system which only for their interest and not for the interest of our country. We have bertered away our economic sovereignty and upon have been under euphoria. I had said on the Floor of this House, "Mr. Finance Minister, you don't think that you are the Messiah. If you are the Messiah, You are the Messiah of economic boom in this country." I said this. And this euphoria is a very very uncertain euphoria. Do not suffer under euphoria. This is exactly what has happened.

Sir, it is very easy to say that they have appointed a JPC and what more bonafide do we want. Sir, income tax investigation is made against Harshad Mehta. Why no against Dalal? It does not appear so from the statement of the Finance Minister. Although a larger quantum of Manipulation is by Bhupen Dalal, why nothing is being done about him?

Over and above all these things, now we find that the person incharge of the CBI inquiry is being pushed out.

SHRI MURLI DEORA: But today, the Prime Minister has made a statement that nobody is pushed out.

SHRI SOMNATH CHATTERJEE: Sir, the Prime Minister's statement makes it absolutely clear. He has not said a word about Shri Madhavan's resignation or the Governments response to it. He only states that so far as the offer of resignation is concerned, the PMO has got nothing to do with it. He said nothing else.

MR. CHAIRMAN: Continue with Scam and leave the other matters. You have taken more than 40 minutes.

SHRI MIRMAL KANTI CHATTERJEE (Dum Dum): When we raised Shri Madhavan's resignation issue, hon. Speaker has stated that we might discuss it along with the Scam debate. Now you are objecting a referege to Shri Madhavan.

MR. CHAIRMAN: I am only telling him about the time that he has taken.

SHRI SOMNATH CHATTERJEE: I have taken only some time Sir and not all! Sir, I know many of the details regarding the JPC. here I want to say one thing. The Finance Minister owes an explanation to this country. I have asked him some questions and I hope he will answer them. What is the result of the speculative purchases by financial institutions which have a command over large financial savings? And what will happen

when these were diverted from National Saving Schemes to Mutual Funds which are allowed to offer a higher rate of interest with the prospect of their being made over to the private investors? This is the result! This is what happens! And this is the result of your new Economic Policy. So, all these laboured attempts to show that the Economic Policy has nothing to do with the Scam do not hold water. This is nothing but giving a wrong impression to people and trying to justify your unjust policy. This is nothing but a betrayal of this country.

Now, banks have been asked to maximise their contribution through profit and to increase their contribution through dividends by 50 per cent. How do they make so much money? How do they increase their incomes and profits when our industry and economy are in a recession? When there is lesser and lesser turnover, how do banks increase their earnings? Therefore, they have been given the necessary signals. You told them, "Does not matter, I know you are entering into such transactions. In July 1991, I have given you a warning. But I did not put a brake I have not followed it up to see whether you have stopped it or not. So, you go ahead with it." Therefore, public fund have been utilised for speculative transactions so that the banks can make quick money and exorbitant profits, out of which, the Government's kitty can be filled up. How is it possible for the banks to earn so much money? I would like to know how you fixed the rate of dividends? How did you expect the banks to make so much extra money over night? There is no explanation anywhere! Not a single bank was pulled up! You told them softly, "Please do not indulge in such things. Let me know your response." And what have you done when no response came?

This is the way this Government has been functioning. The result of all this is that the integrity of our financial system is now at stake. The credibility of our savings and investment instrument is totally lost today. No honest investor will touch these things. I

hope he will go back to small savings which are sought to be garrisoned deliberately.

Sir, I would like to mention just two more aspects because you too are becoming impatient. One is about the leak of the coupon rate. This is a very important aspect. This question has already been asked. I believe Shri Jaswant Singh has asked about this. Now, who is responsible for this?

Does the hon. Finance Minister agree that there was this leak about the increase in the coupon rate? If it was so, how did it come about? What the Ministry initially is trying to find out? For this, we need not wait for the JPC to find out.

THE MINISTER OF STATE OF THE MINISTRY OF STEEL, (SHRI SONTOSH MOHAN DEV): We will give you the answer at appropriate time.

SHRI SOMNATH CHATTERJEE: Was there a tip-off to the SBI from any source of Reserve Bank of India? We would like to know. Otherwise, how do you justify about these purchases?

The other point is about the disinvestment of public sector units. I need not go further than refer to the report of the Janakiraman Committee, which will show, now it was done. With your permission, I hope, I can quote from the Janakiraman Committee Report. This is the second interim report.

"In February 1992 the Ministry of Industry, Department of Public Enterprises of the Government of India issued letter to approved financial/investment institutions, mutual funds and nationalised banks inviting bids for purchase of a part of the shares held by the Government of India in 16 Central Public Sector Enterprises. For the purpose of the sale all the PSEs grouped into 120 bundles of different company combinations...."

The terms were laid out and mentioned there.

"...It was however, seen that even before it made the bid, the bank (the Allahabad Bank) had received quotations from three brokers, namely M/s Y.S.N. Shares and Securities Pvt.Ltd., for resale of the shares. The three brokers are believed to have close business connections with one another. The sale was ultimately made on 31 March 1992 to the broker, M/s Y.S.N. Shares and Securities Pvt.Ltd., which had by its letter dated 19 February 1992 undertaken to conclude the entire business by 31 March 1992. The brokers' bids were being made on behalf of their clients. The broker in turn has sold one of the bundles to Citibank. The bundle was acquired by Citibank on 2 April 1992 for the account of one of its fiduciary clients."

Then they said, not a single guideline was followed and it was done wholly illegally, wholly against the interest of the Bank.

I would like to know, how to happen and what have they done in that regard, how the shares of important public sector company were sought to be dealt with by some brokers when you have laid down definite guidelines as to how it has to be done.

Although, we are opposed to the sale of shares as such, I am not accepting the correctness or propriety of the sale. Even when you have decided to sell them, you have laid down certain guidelines, certain bundles of shares have to be prepared, but nothing has been followed. What is the explanation? Now the explanation is, JPC will look into it. Is this the system failure?

The hon. Finance Minister has answered to the question here that so many papers are there because of the magnitude of the scam. So many officers are responsible—31 officers. Officials of public sector banks and financial institutions, who have been initially found to be involved- 11. Officials of other banks- 4 and non officials - 50. The whole explanation is, these 31 persons are responsible.

They have supposedly corrupted the entire system. They have taken the system for a ride. They have cheated the country to the extent of nearly Rs.4,000 crores. The Managing Director, State Bank of India, Canbank Mutual Fund, UCO Bank, National Housing Bank, Cooperative, etc, are because caught these few persons were holding the country to ransom.

16.00 hrs

Is it possible, had they not had links at the highest levels which have allowed this to happen, to continue, for months together?

AN HON. MEMBER: For years.

SHRI SOMNATH CHATTERJEE: Yes, for years.

This Congress Party has been in power except for a few months. You are all beneficiaries of this. Successive Congress Ministries have allowed the whole system to be polluted. You have institutionalised corruption in this country, and you are thriving only on corruptions. (Interruptions)

Therefore, this whole matter the whole scam, the whole scandal is of such proportions that a JPC is not the only act of expiation for the party. It cannot be. Some other sacrifices will have to be made by the Government. Ultimately, who will be found out? All the Ministers are scared of that unsigned list. They ask us, Is my names there? (Interruptions) I cannot blame the Prime Minister. What can do? He will have to have faith in his Ministers. If they are having some under the table transactions, or some craving for quick money, what can he do? (Interruptions)

SHRI SONTOSH MOHANDEV: Probably he is speaking from the West Bengal experience.

SHRI SOMNATH CHATTERJEE: ■ that helps you, very good. (Interruptions)

Naturally, I cannot blame him. He would say, "I have to ask my Ministers. I have to have faith in them. What more can I do?"

Until they are caught they must be assumed to be good. But the nervousness we can see. We have spent years here. We all see nervousness in their faces. (*Interruptions*) I do not want a single Minister to lose his job.

SHRI SONTOSH MOHANDEV: Thank you.

SHRI SOMNATH CHATTERJEE: Because, you will go down under your own weight in the ultimate analysis.

SHRI SONTOSH MOHANDEV: If I go, I will take you. I have got that much faith.

MR. CHAIRMAN: Please do not disturb him.

SHRI SOMNATH CHATTERJEE: Therefore, Sir, we shall wait for the JPC and the country will wait for the JPC. I hope they do not put any difficulties in its functioning. But in the mean time, that does not mean that the Ministry or the Government can run away from answering these important issues that are agitating the public mind. They were not very unhappy when the Auodhya issue came up because they had a respite for about a month. They utilised that situation. Now this scam, cannot be kept under the carpet. It has to be answered, answered squarely and do not try to take refuge only under the JPC, or some corrupt officials. Mr. Finance Minister, the system you have to operate, if the system does not operate, whose responsibility is it? It is not the responsibility of the innocent investors. The responsibility squarely lies on the Government of Indi and you as the Finance Minister. Therefore, unless the people are convinced the only honourable thing for you to do, which you know what it is, you should do.

[Translation]

SHRI RAM NAIK (Bombay North): Mr. Chairman, Sir, share scam has been the blackest chapter in the economic sphere in the history of the country. The people involved in this made even in the people involved in Bofors cases as pigmies. The economic condition has the worst affected by the share scam; and it is difficult to assess as to in which direction the country is going.

When the new Government took over, the hon. Minister of Finance while presenting their first Budget stated that:

[English]

The national economy was on the verge of collapse.

[Translation]

No foreign agency was willing to give loan to our country. The foreign exchange reserves were almost empty, the production had fallen and the country was facing a severe economic crisis. This type of picture was portrayed at that time and it was factual. Keeping all these factors in view we were eager to know the response of the hon. Prime Minister, the hon. Minister of Finance, the Governor of Reserve Bank, the Chairmen of nationalised banks and the high officers of the Finance Ministry. I consider it to be a matter of importance.

Janakiraman Committee report was presented and some facts were highlighted. I would not like to mention the points, particularly the figures which the previous speakers have discussed time and again.

There is a proverb in Marathi :

"Meleya Madhyachya Takooche,  
Loni Khanare Lok Astat".

It means that ghee and butter are spread over the dead body before it is cremated. But there are some people who try to steal ghee

and butter even for this purpose ; and keeping in view the prevailing economic crisis the presidents of banks, the higher officers in the Finance Ministry, the hon. Minister of Finance, the Governor of Reserve Bank etc. seem to have acted the same way . They were involved in malpractices though they aware that the country was passing through financial crisis .

I find these things very shameful when I compare the present state of affairs with those in the past. When I was elected member of the House I was told that a person named Shri Mudgal was the member of first Lok Sabha. He was found guilty of taking money from a person for raising a question in Lok Sabha . When the Prime Minister Pandit Jawaharlal Nehru came to know of it, he brought the matter to the notice of the House and dismissed Shri Mudgal from the membership of House. Then Mandhra Scandal took place in which irregularities took place but rupees one crore only were involved. The then Minister of Finance Shri Krishnamachari met Shri Mundra in this connection. Later on the matter was investigated and as a result of which not only Shri Mundhra was taken to account but Shri Krishnamachari had also to resign. We find out moral values constantly degrading when we remember the just referred incidents and compare them with such big security scams involving about Rs.4000/-crore. It is really very distressing to see the position of the Government in regard to that scam and the direction in which our country is going. I think we should think over this situation.

It appears that letter 'M' is playing a dominant role until is money matter and this 'M' is linked with it . The name of the hon. Member, who had taken money, also started with 'M' - Mudgal, later on this 'M' played a vital role in the Mundhra case and the name of the Chairman of the Enquiry Committee which was set up for investigation in this case also started with 'M' - Mohammad Chagala. Now when this issue has come up, the hon. Finance Minister Shri Manmohan also begins with 'M'. In this way, there are so many things. It can be observed that Lal

Bahadur Shastri ji and taken the moral responsibility of a rail accident. The hon. Finance Minister is laughing and might be thinking that these people always talk about moral responsibility. But we are of the firm opinion that moral responsibility is there and only due to it, the then Railway Minister Shri Lal Bahadur Shastri had resigned when a rail accident occurred but today none is ready to take the responsibility of such a big case.

[English]

SHRI MANMOHAN SINGH : You should ask the BJP Governments in Rajasthan and Madhya Pradesh to resign for the Communal incidents that took place there.

[Translation]

SHRI RAM NAIK : I am very happy that the hon. Finance Minister is well conversant with the matters related to finance, but unfortunately he has no knowledge about the communal matters, and he has proved it here. Thanks for saying as to what is going on in Rajasthan, Madhya Pradesh but perhaps you know nothing... (Interruptions)....

I was saying that the name of Manmohan Singh ji also begins with "M" and later on Harshad Mehta came, whose name also begins with 'M'. Several Congress Members of Rajya Sabha are involved in the case of Canbank Mutual Trust and incidently their names also start with 'M'. It is better if I do not mention the name but all of you know him, Shri Murli Deora also Knows the name as to who are the people of these brigade who are associated with the can bank Mutual Trust.

Mr. Chairman Sir, since I, myself belong to Bombay that is why I am sorry to say that the initial letter of the name of Manhar Pherwani, who has passed away, is also 'M'. Although he has passed away yet he died in a suspicious - he was the Chairman of the National Housing Bank. The postmortem was not done after his death, and they tried to suppress the case of his death. Such things are being said and everyone knows about it in Bombay ... (Interruptions)... why do you

murmur; please stand up and speak loudly so that one can understand what you are saying. In this way the name of Madhvan Sahib may also be mentioned. His name also starts with the letter 'M'. It appears to me that this matter has taken a serious turn. Though the joint committee will no doubt consider this matter but what you people are doing.

We had led a delegation to the Governor of the Reserve Bank. We also gheraoed the Reserve Bank. When we met the Governor Shri Venkitraman and told him that he is morally responsible for all this scandal, then he replied that he is not morally responsible for all these things. When we asked him that it was to be seen later on whether he was legally responsible or not but it was definite that he was morally responsible for this scandal. But his reply was in the negative. Later on, we met hon. Shri Manmohan Singh ji and asked him whether he was prepared to take moral responsibility or not, he too refused to take the moral responsibility. The Finance Minister is not morally responsible but you please tell ... (Interruptions)...

[English]

SHRI MONMOHAN SINGH : He ever asked me.

[Translation]

SHRI RAM NAIK : It should be made clear whether some one is prepared to take moral responsibility of the scandal. As per Jankiramam Committee's Interim Report, an amount of Rs. 4 thousand crores is involved. Either the final report which is yet to come or the Joint Committee will reveal the facts whether the amount is 4000 crores or it is more than that.

[English]

It is just a tip of the ice-berg.

[translation]

At present the situation is that only a tip

of the ice-berg is visible.

Whatsoever has come up is very much serious and I want to give some suggestions for these serious matters. My suggestions are for the middle class people. Why did they indulge in such matters? All the concessions available to the middle class people on the saving were withdrawn by the finance Minister before presenting the Budget? This step of the Finance Minister encouraged the middle class people to divert their deposits to the companies which are paying dividend at the rate of 25%, 30% or 40% while the Banks are paying only, 10% or 11%. There is no limit on dividend. On the other hand the value of share increases 4, 5, or 6 times; the middle class man always thinks about the security of his money and that is why he keeps his money in the bank. The started withdrawing their money from the banks. You have presented such type of Budget for the purpose of baiting. Secondly it was said at the time of the budget that a boom has come. Now, where is the boom and where has it gone? Now the situation regarding this boom had gone to such an extent as nobody is prepared to buy our konkan railway bonds. They do not have money and those who have, thinks whether it will be appropriate to invest in these bonds or not? Such a serious situation has come up, about which nobody was aware. Such big scandals are taking place in the country and no one is ready to take the responsibility. Will you not repay the amount to those who have deposited their money in the banks?

Now it is said about the Bank of Karad that those who have deposited up to 30 thousand, will get their repayment. My submission is that the retired persons who have deposited 50 thousand or 70 thousand rupees of their gratuity, will they not get the refund? I would like to urge upon the Government that it should make the arrangements to repay the whole amount of the people who have deposited their money in any of the Bank whether it is a Cooperative Bank, or Bank of Karad or any nationalised bank. There should be a guarantee from the Government to make repayment of the depos-

ited amount, Otherwise some big Harshad Mehtas and some small Harshad Mehtas will go on creating such problems and the people will go on loosing their hard earned money. The people will develop a habit as well as a craze to become millionaire overnight. Therefore, I want to give 4-5 concrete suggestions in this regard.

The first thing is that if the hon. Finance Minister wants that the people of the country should have trust in the banking system of the country and if he really wants to extend his co-operation in the whole of the enquiry then both you as well as the Governor of the Reserve Bank of India should also co-operate and both of you should resign from your respective posts and the co-operation should be extended by remaining out of the power; only then it will be considered as your highest service to the nation. You should tender your resignation and ask Venkatramanji also to resign. Such a big scandal has taken place in the economic field of the country and it is a matter of surprise that there is no one to take the responsibility. You must take the responsibility.

Frequently, You are saying that no one is guilty. What has happened with you ? The C.B.I. enquiry is going on and then the Joint Parliamentary Committee has been set up and you daily comment that some one or the other is not at all at fault. How do you know ? You can say that you are not guilty but how do you know whether some one is guilty or not ?

Mr. Deputy Speaker Sir , through you, my submission to the Government is that all the letters of those Ministers who have written to the Hon. Prime Minister that they are not involved in this share scam, should be placed on the table of the House. Only then the people of this country will come to know the names of those hon. Ministers who have given in writing before the enquiry of the Joint parliamentary committee, that they are not involved or they do not have any share of it. Usually people meet us and say that this or that is involved in this scandal. Therefore, my submission is that all such Ministers

should submit a letter of oath in the Central Hall as they take oath in the court that they are not at all related to the share scandal.

**SHRI MRUTYUNJAYA NAYAK (Phulbani)** : In this way every hon. Member of parliament will have to give.

**SHRI RAM NAIK** : If this House agrees, then every hon. Member should give the letter of oath stating as to how many and which shares have been purchased by him during the last one year.

**SHRI MANI SHANKAR AIYAR (Mayiladuturai)** : Let this period be for the last two years.

**SHRI RAM NAIK** : Let it be two years. It will reveal as to who have purchased the shares and in what numbers during the last two years. Do not give information in respect of your self alone, give information about your wife and brother as well, and also give information about your close relations. This kind of an affidavit should be presented before this House. This is my demand. The Prime Minister has said this and everyone should keep this in mind .

[English

He does not like to work under cloud.

[Translation]

When he does not like this, you should also not like it. That is why you should make a suo motto declaration detailing the points in respect of which you want to make an enquiry. The enquiry will reveal as to where does each person stand and what was done by each of them.

My friend Shri George Fernandes is sitting here . Newspapers have published certain things about the former Finance Minister and such a news item has appeared that a member of his own party had written two letters to him, and had said that he had written a letter to the finance ministry in this connection. He did not order any enquiry.

The same member later became a minister in Chandra Shekhar ji's government. In spite of that, nothing happened. He had written this kind of a letter. It is natural that Shri George Fernandes should have given an explanation on behalf of his colleague as to whether he had said anything of this kind or not. When all this appeared in the press about George Fernandes and Finance Minister Shri Madhu Dandavate, I have one cutting with me, The spokesman of the Congress Shri Gadgil had said.

[English]

He will be asked to quit the House .

[Translation]

As Finance Minister, Shri Madhu Dandavate was involved and Shri V.P. Singh was the Prime Minister.

[English]

He must also own the responsibility and that why Shri V.P. Singh should also resign from the House.

[Translation]

The spokesman of the congress, Shri Gadgil made this kind of a demand, Shri Fernandes ji, if you succeed in getting this thing done, one thing will be good. You kept this truth before us and if same thing is done by both, then you will also have the right to say to them that an allegation was made against you that is why you were making such a demand. That is why it is necessary to give explanation to the country that when such charges are levelled then these should also come before the House. If you keep this thing in mind and say that you agreed, everyone agreed to what Shri Gadgil had said, then this kind of a thing should happen now and after agreeing to by Shri Gadgil, how will Shri Manmohan Singh and the Prime Minister say that they will not do such a thing. This shall also happen.

My last request is that we are constitut-

ing the J.P.C. and this committee will start making enquiry. But the C.B.I. inquiry should go on in the same way and in all seriousness, otherwise two months have passed since the committee was appointed and time will again lapse like this. That is why, a parallel inquiry should go on. The C.B.I. should also extend its cooperation to the joint Parliamentary committee and we should resolve that the biggest ever scandal in the history of our country, will not be allowed to recur in future. This House should give such a stringent to punishment the persons involved in it that they may never forget it.

With these words I conclude.

[English]

SHRI MURLI DEORA (Bombay South)  
: Mr. Chairman, Sir, in the history of free India, due to unscrupulous and fraudulent conspiracy between some bank officials and some stock brokers, a great fraud on the people of India is committed of a colossal amount, which is unprecedented in the history of our country. So, something must be done to find the truth behind this, something must be done to see and to find who are the culprits behind this fraud, something must be done to see that they are punished and something else must be done to see that the money of the tax payers is recovered. The Government of India and the Prime Minister could not have done anything more than establishing a joint parliamentary committee, which will not only establish parliamentary supremacy, but will also provide an effective safeguard to protect the country's interests.

Sir, I am very sorry that in the other House, probably on the same day when I was asking for the appointment of the Joint Parliamentary Committee, when Shri Jaswant Singh spoke here, he said, I am surprised about the appointment of the JPC; I wonder whether it is a ploy. Whatever you ask for, the Government agrees and still you doubt the intentions of the Government. That is not fair.

**SHRI JASWANT SINGH (Chittorgarh) :** Mr. Chairman, Sir, I wish to correct the fact. Indeed, I did say that if the JPC were to be treated as a ploy to cover up, then we would lose a very great opportunity. I did not say that you are employing it as a ploy; but you can interpret it both ways.

**SHRI MURLI DEORA :** I will be very happy to be corrected. What you have said, you may not have meant it anyway. What could the Government of India, the Reserve Bank of India or our Department of Banking do in these circumstances? I would say in one minute, what the Government of India did and how swiftly the Government acted. The Reserve Bank of India appointed an enquiry committee headed by a Deputy Governor, Shri Janakiraman. The Committee had already submitted its report and based on the Committee's report, a CBI enquiry is being conducted which is in progress. When the CBI enquiry is in progress, arrests were made. A Special Court was set up to try the accused. A custodian has been appointed by the government to recover the money which has been lost. The custodian has already frozen all the assets of those who are suspected to be guilty. The total amount involved in the entire scam is to the tune of over Rs. 3,000 crores, a bulk of these funds have gone into the hands of the stock brokers who have invested the money in shares and securities. I do not know what else the Government could have done.

**MR. CHAIRMAN :** Mr. Deora, you have mentioned a name and that name will not go on record.

*(Interruptions)*

*[Translation]*

**SHRI MADAN LAL KHURANA (South Delhi) :** You have mentioned his name.

*[English]*

**SHRI MURLI DEORA :** I have not said anything against him. Khuranaji, you can be

allergic to Murlī Deora, but not to that name. However, I withdraw that name on the advice of Khuranaji.

Sir, I just want to draw the attention of the House to what is going on in our banking system today. Nobody has said one point which I want to narrate now. Over Rs. 2,35,000/- crores of deposits are there in the nationalised banks and foreign banks. What are the criteria in which they can use the money? There are three or four major directives given by the Government of India and the Reserve Bank of India. One is Statutory Liquidity Ratio; it was 38 per cent, now it is reduced to 30 per cent. Then comes the CLR100/- of deposits. Over and above, 40 per cent of the total deposits are directed to be invested in priority lending, agriculture, small-scale, exports and all these things. Whatever total money is available with the banks, nearly 80 per cent or 77 per cent or 78 per cent, is covered under this. What is left with them? 25 per cent of the total money is lying with them. The banks are paying high rate of interest. Therefore, the expenditure incurred on running the infrastructure is very high.

**SHRI NIRMAL KANTI CHATTERJEE (Dumdum) :** You are making the same mistake which Shri Jaswant Sinha once made when he was Finance Minister.

**SHRI MURLI DEORA :** I hope what happened to him does not happen to me.

**SHRI NIRMAL KANTI CHATTERJEE :** That cannot be because you did into the system and he did not.

**MR. CHAIRMAN :** Please don't waste the time of the House. The time is very limited.

**SHRI NIRMAL KANTI CHATTERJEE :** Of the total deposits, a part only is given as credit, not the whole. Of the total deposits, previously it was 39 per cent SLR, then 10 per cent CRR, is deducted. Whatever remains is given out as credit. Of that, 40 per

cent goes to priority sector and 60 per cent remains. Your subtraction is wrong.

**SHRI MURLI DEORA :** Thank you. I give you one example. Only last week, a new name of one more amount of money loss has come. You have not referred to it, Mr. Somnath Chatterjee. Mr. Jaswant Singh has also not referred to it. It is the Power Finance Corporation. (*Interruptions*). When these big public sector undertakings receive money, ADB, World Bank, or through their bonds, subscribed into the market. They have lots of money lying idle. What have they to do? They have to make fast rate of interest on this money. What I am trying to say is, the real reason of the major part of the scam is high rate of interest. I have said it in my Budget speech and earlier.

Shri Jaswant Singh said the inter-bank call rate was 59 per cent or 60 per cent. It has gone to 102 per cent even. Now it is nothing because now there is no trading going on. Now, no inter-bank dealings are prevailing in Bombay or in the financial market. Instead of keeping on saying these things, what happened in scam, who is involved, what mistake anybody has done, we should try to find what we could do to rectify the mistake made, what can we do to recover whatever amount is involved, and what can we do to punish those who are guilty in this matter. Here there is also a need to establish coordination between different PSUs and I would request the hon. Finance Minister. Now the very different Corporations are borrowing money at high rate of interest while other corporation belonging to Government of India, PSUs, are lending money. I said Power Finance Corporation was lending huge amount of money. They had surplus of over Rs. 1,000 crores, while the other Departments like the Nuclear Power Corporations in Bombay were borrowing money from the market. Who makes money on that? Those who are the brokers, whether they are the foreign banks, or local banks. That is why, they to go to these brokers who made this unscrupulous money.

**SHRI SOMNATH CHATTERJEE :**

Therefore, they are justified.

**SHRI MURLI DEORA :** No. They are not justified. That is what I am saying. This is the first time when even the account payee cheques are deposited in the bank—Shri Somnath Chatterjee raised the issue—National Housing Bank had given that cheque in the name of the State Bank of India.

16.34 hrs.

[**SHRI TARA SINGH** in the Chair]

The official of the State Bank of India had credited it to the account of Harshad Mehta or whoever is there. Whose fault was that? That was not the fault of the NHB. That was the fault of the State Bank of India. That is why, the Finance Minister clarified that this money has to be given back. About the BRs, about the Bank of Kharad, the Metropolitan Bank, something has been said. Shri Ram Naik has referred to the Bank of Kharad.

**SHRI JASWANT SINGH :** Please tell more about Bank of Kharad and who is behind it?

**SHRI MURLI DEORA :** I do not know who is behind it. I do not think there is anybody behind it. But I can say one thing. This is for the first time I have come across that a bank with less than Rs. one crore as paid up capital and when the real asset value is negative - I do not think they have any real asset value even today - can issue bank receipt to the tune of Rs. 1100-1200 crores. I agree with him on this count. (*Interruptions*) I agree with you that this should not have been allowed and something radically is wrong with our Banking system. I agree with this view. What Shri George Fernandes said that day was today said by Shri Somnath Chatterjee now. But the Government is not at fault. (*Interruptions*)

**SHRI RAM NAIK :** Are the depositors at fault?

**SHRI MURLI DEORA :** I am not saying that the depositors are at fault. I am

coming to the suggestion part of it. I would just say that there is a Department in the Reserve Bank of India which ensures that regarding the deposits of depositors, specially the small depositors, the maximum ceiling is Rs. 30,000/- Even in the case of Bank of Kharad, those depositors who have deposited more than Rs. 30,000/- will get up to Rs. 30,000/- This is what happened in the case of BCCI also. As I told earlier, the Department of the Reserve Bank of India ensures the protecties of the small depositors etc. Now it should be Rs. one lakh of Rs. two lakhs. But earlier it was Rs. 30,000. But the point is that the value of the Rupee has gone down. Therefore, my suggestion to the Government of India is that the Government of India should increase this insurance cover for the small depositors, that is, more than Rs. 30,000. (*Interruptions*)

The real problem for Harshad Mehta's thing was that reconciliation of investments and financial auditing did not take place. Why did it not take place? Because in the Reserve Bank of India, there was no proper computer system and is why they were using this money for 15 days ... (*Interruptions*).

Harshad Mehta was using that money for 14-15 days. By the time the reconciliation was taking place, he was using the money and buying stocks in the market.

SHRI SOMNATH CHATTERJEE : That is why he was invited to the Finance Ministry.

SHRI MURLI DEORA : I have not invited him nor the Finance Minister invited him. I now come to my point. The point is you have stopped this computerisation work. I am not saying that we should be against the interests of the workers... (*Interruptions*) As I told earlier, I am not against the interests of the workers. I am not saying that they should be retrenched. But they should be trained. So, if there is proper computerisation, then the reconciliation will take place place of hourly-basis and in two hours, three hours, all the money that has been received from

the NHB would have been reconciled and that thing would not have happened (*Interruptions*)

Sir, the supervisory role of the Reserve Bank of India has to be tightened and strengthened further. What is really needed is the outside auditor, not the auditors who are part of the Reserve Bank of India itself. It should be like what is done in the foreign countries. If the Chartered Accountants from outside are asked to have a periodical supervision, then it will help a lot. But it will not totally plug the loophole. It will help to a great extent.

Shri Vishwanath Pratap Singh, during his speech has said that it has totally ruined the confidence of the investing public. I do not agree with that. Of course, it has shaken the confidence of our public. I would like to tell you that not even one rupee has been withdrawn from the banking system. If you read one small news about any bank in America or Europe, you cannot imagine the banks entire money will be out the next day. Not even one investor has withdrawn one rupee from our banking system. I am not complimenting the Government here. But I am trying to say that the people still have faith in our banking system. Of course, it has been shaken. I agree with you. I am saying that the confidence of the people has shaken. It has damaged our financial institutions; it has harmed our international image. No doubt about it. But we cannot say that it has totally ruined the public confidence.

The other point I want to suggest is that there must be transparency rather than secrecy about public investment. Over Rs. 4,100 crores in UTI are collected from the small investors. They have not advertised, Mr. Finance Minister. Nobody knows about it. There is an editorial in The India Today of the last fortnight which clearly says and rightly that there should be some transparency in investment. The investor has a right to know where the money is really invested. He should not only get the dividends - yes, if the stock market is going up, if the major share holdings are going up, certainly he will

get more dividends - but the investor must also know what is happening. The biggest player in this is the State Bank of India. There should be transparency. UTI should let the public know through the journals how the major investments are invested in which company, in which mutual fund etc. Shri Fernandes is the union leader of the BEST and Shri Ram Naik is here. I want to draw their attention to one fact that some four years back, BEST wanted to borrow seven crores of rupees from the State Bank of India for putting a sub-station in Bombay or buying buses. The State Bank of India took one year to clear that seven crores of rupees. They wanted 40 per cent advance from the BEST which is Bombay's transport undertaking. On the one hand they were so lax in giving Rs.300 to Rs.400 crores to Shri Harshad Mehta, Shri Bhupen Dalal whoever was there I am supporting you - on the other hand, they were not ready to cooperate with the public utility service like BEST. Now the message must go that the big banks like the State Bank of India must treat with different barometer, different angle public utility services like the BEST.

One more suggestion has come from the Narsimhan Committee report. It is to dilute the share holding of the existing banks. (Interruptions) I know you would not like it. In West Bengal what you are doing is the disinvestment in the public sector (Interruptions)

I know what you are doing in West Bengal and what you are advocating in India. I have said it earlier also. What I want to say is that the only bank which has a small share holding in public is the State Bank of India. All other nationalised banks are wholly owned by the Government of India. Why not the public sector nationalised banks disinvest, I would say, more on the workers. I was in Turkey. The biggest bank in Turkey is called the 'Isbank' I sent the note to the Finance Minister the moment I came back what have they done? They have given forty per cent share holding to the employees those who are working in the banks as the productivity shares, bonus shares and the gratuity shares

when they retire. This will keep a check and create awareness on the efficiency and the working of the banks. So the time has come to give these shares. I would say let us start with the employees if you are not going outside. But outside also, not a single individual or a corporation will get more than one per cent. (Interruptions)

Lot of noise has been made about our banks working in India. And nobody has said one word said one word about our nationalised banks working abroad. It is shocking. (Interruptions)

[Translation]

SHRISOMNATH CHATTERJEE : You go abroad frequently, we do not go.

SHRI MURLI DEORA : You go more often than us.

[English]

You don't declare, I declare. That is all. Shri Chatterjee, do you know, what is happening in the Indian Banks, dealing abroad? I would like the hon. Finance Minister, when he replies, to please reply to this House, how much money is lying in bad and questionable debts, lent by the Indian banks abroad, specially to the NRIs. I am telling you that there are some NRIs who are just borrowing heavily from the Indian banks overseas in foreign exchange, be it in dollars, pounds, yens or Deutschmarks, without having any intention of returning it. Of course, some are good; I am not saying that all are bad.

SHRI SOMNATH CHATTERJEE  
Against Banker's receipts?

SHRI MURLI DEORA : Fortunately, there are no banker's receipts there. I would like the Finance Minister to reply to this point.

There are two schemes which are prevailing in our country today. One is FCNR and another is NRE. When an NRI puts money in FCN, the money continues to be in

foreign exchange, be it in dollars, pounds, Deutschmarks or whatever it is. When the money is put in NRE, one has to suffer the exchange risk. And if you see the record of last one year or two years or three years or even four years, you will find that those who had put the money in NRE, they had suffered very heavy losses and those who had put the money in FCNR, they had not suffered any losses but they had gained tremendously, because the rate of interest given in America on dollar is very low while the rate of interest which was given on the dollar on FCNR accounts was very high. The Finance Ministry has taken right steps to reduce it but my request again is that the rate of interest on NRER where the people are depositing on rupee account must be high because when foreign exchange is converted, it brings Forex.

MR. CHAIRMAN : Please conclude now.

SHRI NIRMAL KANTI CHATTERJEE : The entire House will request you not to give him any more time because he is from the Scam world and because he knows most of the things.

SHRI MURLI DEORA : According to Narasimham Committee Report, over 20 per cent of the loans given by the nationalised banks or what you call as non-performance loans, on that there is every doubt whether that money will come back. And the banks are carrying forward those losses. A time has now come, when the Government should allow these Banks to have a clean State. The Government must come out with an enquiry on this over 20 per cent non-performance loans. These are bad and questionable loans, and they will never come back in your or in my life's time. So what is the use of telling the banks that they are losing the money. It is not the fault of those who are running the banks today.

SHRI SOMNATH CHATTERJEE : The Narasimham Committee had a recommendation for that.

SHRI MURLI DEORA : Yes. The last

point on which I want to say something is about the money market. What is really needed is to provide enough liquidity to the money markets. Shri Somnath Chatterjee said that the Government had given concessions to those who had bought shares, to those who have invested in the stock markets. I want to say that everybody who has invested and all the stock brokers are not paid. There are some who are wrong. Where from are they getting the finance? The real industrial investment in our country is coming through the stock markets only, through the capital markets only. If you want to set up one industry, you have to form a Public Limited company. Who will subscribe? The promoter will subscribe 20 or 25 percent. In the case of Tatas, their share is only 5 percent and in the case of Birlas, their share is around 7-9 percent.

AN HON. MEMBER: It is three percent only.

SHRI MURLI DEORA: Yes, three percent. The rest of the money comes from the public and there is a need to restore the shaken confidence of the investors in the Stock market. There is nothing wrong in the Stock market. Some people have played havoc with the stock markets and that does not mean that we should keep on blaming that the entire stock market is bad and all the brokers are bad. Some of the people were raided; in case they are found not guilty and in case they are found honest and straight forward, then, I would request the government or the CBI or whichever authority is the concerned, that they must come out saying that those people were raided but they have nothing to do with the stock scam.

SHRI SOMNATH CHATTERJEE: would like to know one thing from him because he knows everything about the underworld. It is stated that the brokers' licences were sold at a premium of Rs.3 crore and is that right?

SHRI MURLI DEORA: You are right. In my speech on the General Budget also I said this. What is happening is that in the Stock

Exchange of Bombay there are very limited cards. Those who are allowed to sell and buy the shares are very limited. One recommendation is already there in this regard and the Finance Minister is aware of that. They are setting up a National Stock Exchange. The Finance Minister has announced that in his speech also that there is a need to have more and more cards.

There was a time when the price of the card was Rs. 20,000 which is now more than Rs. 3 crore. Even in Rs. 3 crore you cannot get it because there is a scarcity. Wherever there is a scarcity and there is control, the price will go up. In West Bengal it is happening everyday. What Mr. Jyoti Basu has learnt, they are not ready to learn here. He knows that my intentions are very clear.

**SHRI SOMNATH CHATTERJEE:** He said there are some good stock exchange brokers. Well there are some good people like him in the Congress!

**SHRI MURLI DEORA:** Last year Shri Jyoti Basu came to Bombay for a public meeting. he gave me the privilege to host meal for him. I invited all the capitalists and the multinationals of the Bombay city. They were so impressed by him that they told me, he talks more rightist and capitalist than I am. He is a very bold and practical man.

West Bengal is the only State where even the Dairy Development has gone to the joint sector and the private sector. Nowhere else, not even in Maharashtra it is like that. I congratulate him. When Dr. Kurien of NDDB met me we were talking about Dhara because there was shortage of Dhara in Bombay City. He said one State Government which has agreed to have milk dairy in private or joint sector is West Bengal. So please do not give these sermons here. The only country Mr. Chatterjee can go is Cuba; nowhere else he is accepted now. Here you are allowed to clap; there you are not even allowed to clap. *(Interruptions)*

**SHRI BHOGENDRA JHA (Madhubani):** Mr. Chairman, Sir, Cuba is our friendly coun-

try. Late Pandit Jawaharlal Nehru had called the Head title of the state as a giant leader. The hon. Member is condemning a friendly country, a courageous country. As such, at least these remarks should be expunged from the record.

**SHRI MURLI DEORA:** I beg your pardon. I do not have any disrespect for Fidel Castor. I hold him in high esteem. The economic system that Shri Somnath Chatterjee pleads in the Parliament is not acceptable in Calcutta. The system has a place in Cuba only. It is in no way a disrespect for Cuba or Fidel Castor. I have all praise for him and I want them to be successful. He will also be successful there, not here.

*[English]*

**MR. CHAIRMAN:** Please conclude now. You have taken sufficient time.

**SHRI MURLI DEORA:** The Government must help to develop a proper capital market. I do not want to say about the stability of the Government; forget about it. You have all said that the stock market was booming and they were taking advantage of it; maybe you are right or maybe you are wrong. What I am trying to say is that the capital markets must be protected. If our industrial production is going down—yes it is going down—there is nothing to clap about it. If there is more capital market, more industries will come, more companies will come, more lands they will take, more industries they will put up and more exports will take place. What is wrong in that? I am trying to say that we must provide proper liquidity to the capital market which is very badly needed. Even at the interest rate of 20% or 25% people are not getting legitimate money. If the rate of interest is so high you do not expect it. Today, I just want to give one more example.

Government must reduce interest rates now and provide more liquidity to capital market.

If CLR will reduce, SLR will reduce and automatically it will come into the market.

There was a time when getting a Fiat car or an Ambassador Car used to take a long time. I remember in this Parliament itself friends used to tell me, "Please get me a Fiat car allotted from Bombay's Premier Automobile". Today they are going to suspend the production by nearly 20 percent of their cars. You ask the Bajaj Auto. It used to take 12 years for a scooter. You remember, Shri Dighe, we used to write letter to give one autorickshaw to somebody in Bombay city. Today 30 percent of their stocks are lying. Why? It is because the rate of interest is so high. A man who could buy a scooter, his purchasing power has gone down. He cannot borrow. He is ready to borrow; the Bank is ready to finance Rs.9000 or Rs.8000 on the scooter. But the rate of interest is very high. If the HDEF loan, if the National Housing Bank loan, if the HUDCO loan is so high, what will happen to the housing construction activity? There is a point in what Shri Manmohan Singh has said earlier. We have to cut amply, the money supply in order to stop the inflation. I agree with you. That is why the 10 percent CLR is there. I am not saying 'no'. But the time has come. I again quote the South Korean economist. He has said this: "The rate of interest should be high enough to attract savings; but not so high to detract investebnt."

Then, nobody will be investing money. Nobody will put an industry; nobody will buy a scooter; nobody will do the *dhandha* of an autorickshaw and everybody will put the money in the bank and get 16 percent or 17 percent interest; and some times if it is in the bonds, they are tax-free also. I am again pleading very sincerely with the Government to give a boost to the capital market and to the general industry by reducing the rate of interest. I hope they will do it.

Second point is about transparency in price dealing and settlement. In the stock market what was happening? One of the reasons for this was that there was no transparency. Here, some brokers are to be blamed, you are right. SEBI had been strengthened now. You have strengthened

SEBI a lot. Please see that there is a clear-cut transparency, in price dealing and settlement. There are complaints about the brokers that they buy at one price and by the time they give delivery of the shares, they are charging two percent, three percent or four percent more, because there is no transparency. This transparency must be strictly implemented.

Third point is this. Please take care of the mis-mitch between the issuer and the investor—one who is selling the share and one who is buying the share. There has to be a proper coordination. I would again say that the SEBI has been given directives; but the Government must see that it is followed strictly.

The last point is about the optimum utilisation of investment assets and liabilities. If the assets are lying, like in the case of Power Finance Corporation where they borrowed Rs.1800 crores, what are they going to do till they put another power plant? They are going to use it, three months, four months, six months, short of period. So, there should be some guarantee that they can get enough money or good amount of money on their investment. Otherwise what will happen is that they will go to brokers like Harshad Mehta and Bhupen Dalal and whoever they are, because they are able to give them more interest; they are able to give them, on the short term, very high rate of interest. So, this will prevent that and in case there is effective coordination between different public sector undertakings themselves it is good. One Department is borrowing money and another Department in the very same Government of India is lending money, huge amount of money. I have given two examples of Power Finance Corporation and Nuclear Power Corporation—one is depositing large amounts of money and another is borrowing large amounts of money. Let, in the Cabinet Secretariat, Sir, there be this involves different Ministries; it does not belong only to the Finance Ministry; there are Power, Energy and Coal, etc. and are separate Ministries—effective coordination, which will prevent that.

[Translation]

SHRI GEORGE FERNANDES: Mr. Chairman, Sir, I do not hope that any more stringent steps are yet to be taken by the Government to bring the facts of this scam to light.

17.00 hrs.

I know that a joint Parliamentary Committee is going to be constituted to investigate the whole affairs. But the Government has not taken any concrete steps during the last two months in this regard. Though we call it security scam it is not a case of security scam only. A number of scams still remain to be revealed. The Harshad Mehta and the Stock market case is in itself a scandal. Our friend Shri Murlidhar Deora spoke a lot about his scandal just a while ago. The State Bank of India and some foreign banks are also involved in it. It is an offence on the part of the Reserve Bank of India which did not discharge its responsibilities. There is a nexus between big officers and officers of the rank of Chairmen and Managing Directors of banks with officers of the RBI in this scam. Then we come across another scam, the 'Fairgrowth'. It is not proper to link this scandal with other scandals. But the Government is much disturbed by the Fairgrowth, because many of its members are found involved in this scandal. For last one month I was busy in collecting a list of share-holders of the Fairgrowth. I have not been able to get even half the list from the Registrar of Companies. The Bangalore based Registrar of Companies do not have the list of half of share holders. Somewhere or the other the documents have since been hidden.

AN HON. MEMBER: Who is hiding?

SHRI GEORGE FERNANDES: The Government is hiding it. I will come to that also.

Mr. Chairman, Sir, whatever I will speak, I will speak with full responsibility. As and when the hon. Finance Minister or any other Minister speaks, I will refute his statement

whenever I deem fit. If these people think that they can escape the charge by the efforts they are making for last two months, they are in a dream world. I do not know if any such statement has been made in the House but outside the House, it has come. A member of the Planning Commission, who is also enjoys the rank of a Minister of State said outside that he had since resigned. But when did he resign? He was appointed as a Member of the Planning Commission by the Government. Is the Finance Minister aware that till yesterday i.e. Saturday afternoon his resignation had not reached the Registrar of Companies in Bangalore. It is not a single scandal that we are talking about. There are a number of scandals. The intriguing factor is that all the offenders involved in these scandals have come closer. I can say that it is the Government of India which should be held responsible for it. But as per practice in vogue the responsibility of this scam ostensibly falls on the Ministry of Finance. I would like to place a few technical points with your kind permission. We call it a failure of the system. But what is system failure. Who is the owner of the Banks.

[English]

Who is the owner of the public sector banks, Mr. Finance Minister?

[Translation]

The Government of India. You are the owner of public sector banks. We should not think of an imaginary creature by the name of Public Sector.

[English]

The Government of India is the owner of the public sector banks.

[Translation]

If there is a scandal in any of these 20 public sector banks who other than the owner of banks should be held responsible for it. When we are talking of the Government of India.

[English]

Demarcation or responsibilities in the government of India.

[Translation]

Till date we are working on the basis of the first orders of the former President, Dr. Rajendra Prasad. Dr. Rajendra Prasad had drawn a demarcation line on 14 Jan, 1961. It is being followed till now. We are following the same laws even today. Please go through it learn the responsibilities of the Finance Ministry. How can you escape those responsibilities by saying that what the Government could do?

[English]

Ministry of Finance, Department of Economic Affairs, Internal Finance, Administration of Securities Contracts Regulation Act of 1956.

[Translation]

It is your responsibility.

[English]

Regulation and Development of Stock Exchanges.

[Translation]

It is your responsibility.

[English]

Control over the issues of capital by joint stock companies.

[Translation]

You are very much disturbed due to this.

[English]

New investments and securities for mobilising resources from capital markets.

[Translation]

It is also your responsibility.

[English]

And investment policy including investment policy of Life Insurance Corporation of India, Unit Trust of India and General Insurance Corporation of India.

[Translation]

You have the Department of Banking. Does the banking division come under it or not?

[English]

All Indian banks whether nationalised or not.

[Translation]

It is your responsibility.

[English]

All foreign banks so far as their operations in India are concerned.

[Translation]

It is also your responsibility.

[English]

All matters relating to the Reserve Bank Bank of India, All matters relating to the National Bank of Agricultural and Rural Development and long term financial institutions excluding Unit Trust of India, Life Insurance Corporation and General Insurance Corporation.

[Translation]

It also come under your department.

[English]

Others matters relating to banking in

India and administration of all statutes regulations and other laws connected with entries from 37 to 79 which all deal with banking in India.

[Translation]

How can you escape these responsibilities and on what basis you can escape. Take the example of any private company, any poor employee or any supervisor.

[English]

On the floor of a factory.

[Translation]

I myself worked in the trade union. You did a good job by reminding me. While working in trade unions we have to face the owners of public sector as well as private sector. It is because the person who had been assigned the responsibility did not discharge his responsibility. How was it not fulfilled you had information with you.

You mentioned the name of Shri Madhu Dandavate here. All right, diversion is a usual practice here. It is even greater outside the House. Was the man, who sent letter to Shri Madhu Dandavate, not a Minister in the Government you supported. What did he do? Where from you have searched this news, through newspapers that a letter was written to Madhu Dandavate ji, I don't know. Since he is in your party. He has a long history of changing parties. You use him. Perhaps he hails from Gujarat and his name is Shantilal Patel.

When we were in power his presence here. (Interruptions)

17.09 hrs.

[MR. DEPUTY SPEAKER in the Chair:]

Mr. Deputy Speaker, Sir, our Government had come to know its end on 7th August the day we implemented the recommendations of the Mandal Commission. It was known within 48 hours after implemen-

tation that the Government would not survive. On September 23rd both of you were associated in toppling it down.

SHRI MURLI DEORA: You don't know how your Government was formed.

SHRI GEORGE FERNANDES: Our Government was formed, we still try to remove intra-party bickerings. So I don't care for that you please accept the facts. I am not yielding to them... (Interruptions)

In this way our Government lost all hopes on 23rd September. Now we find that two letters were written to Shri Madhu Dandavate on 2nd and 9th October by Shri Shanti Lal Patel. Shri Dandavate has sent me photostate copies of these letters, I don't know the persons whom letter was sent by Madhu Dandavateji in which he has said just now that he does not remember at the moment as to how many letters were received by him and by whom, when he was Finance Minister. If he got letter on 9th October, he had only for weeks in hand as our Government was toppled on 7th November. The letter might have certainly been sent to the officers of the Department and they might have certainly made investigation. What was to be done. The investigation report would have been certainly sent to the next Government and Shri Shanti Lal Patel was a Minister in that Government. So what do you ask from Shri Dandavate. Ask yourselves, or the Finance Minister himself may tell.

Government is permanent. No individual is Government. But sometimes an individual try to override the Government, as has been in this case. Then why is it not asked from the Government? Why is Dandavate being dragged into it? I would like to say that Shri Dandavate's reply has come as it was likely to come. But I thought it necessary to make reply and I have done it because Ram Bhau Maik raised this issue and a Congress spokesman said in this context that Shri V.P. Singh should have resigned since someone wrote a letter to Shri Dandavate. So I made it clear.

Shri Vithal Rao Gadgil is not a Member of this House. But I will like to advise the Congress people here that the advice that Shri Gadgil gave to Shri V.P. Singh if he had given the same to the present Prime Minister who belongs to his party, it may be that the country might derive benefit from it and it may also help in bringing out the facts to light because this Government has tried to hide everything during the last one year. Mr. Deputy Speaker, Sir, I say that if beginning is to be made, it should be made from Namgyal. It is a bitter truth. But sometimes it becomes necessary to speak. If you want to pick it up, then do so from there, but you don't want. Today I would like to ask how many things the Government has hidden in Bofors case from this House. It has brought this country to disrepute in the entire world in Solanki case. What is left now. Today it has become a risky job to save the Government from the impact of scandal. At least I don't expect that the Government will investigate the matter itself. I would like to say that if the Government really wants to find out facts, it should begin from Finance Ministry. Who did stop the prosecution of all those, by CBI who are acquaintance of Harshad Mehta or who are involved in big scandals? Ask the Ministry, the Minister and the Prime Minister. So, those who are sitting here are culprit. I am not concerned with what welcome was accorded to Harshad Mehta or in what way he was pampered and whether they gave presentation or not. But he was welcomed and it was not an ordinary welcome.

[English]

A man of rank of the Minister of State; a very senior Member of the Planning Commission of the rank of the Minister of State.

[Translation]

He takes him along and arrange his meeting and after that he makes a statement that it is his duty to understand the thoughts of those who present great ideas and to provide them help to bring about change in Government policies. Why did he say so? He

said so when he was not aware that he was badly entangled. Will the persons, who established their relationship with Harshad Mehta, be able to perform the task of JPC? Will the persons, who extended help in raising the company of Ratnakar and encouraged their friends to purchase shares of that company, be able to help us in highlighting the facts?

An officer of the Finance Ministry made his wife the Director of the mutual fund of Canara Bank and thus made her a trustee. I would like to know whether order was given by him or by a Minister? Can we expect from such people that they will help in bringing the facts of this scam to light? Who is there in the Finance Ministry to help us? So it is my request in clear terms to the Finance Minister that neither the Finance Minister himself nor his Ministry fulfilled their responsibility. Rather all the persons in his Ministry and connivance with Harshad Mehta, Canara Bank, Ratnakar and all were involved in this scam a dirty name that comes before us. Please dismiss them. We will see what remedy is to be made in future.

[English]

If the Joint Parliamentary Committee has to do its work, you cannot expect the Joint Parliamentary Committee to function effectively, unless all the information that the Committee would need regarding people who are guilty of dereliction of duty at one level and collusion at other level, is given.

[Translation]

So long as these people are there, I make a forecast here that, the JPC, whose task is to find out the truth, about which the Prime Minister has made a mention today, will not be able to perform its task. We have demanded Finance Minister's resignation several times and again we demand it on the plea that he cannot escape from this responsibility. Did the Finance Minister not receive letters from the Reserve Bank? Did he not receive letters from the Securities and Exchange Board of India.

What action have they taken on those letters? It may be possible that the letters were written for safeguarding one's position and declaring them guilty. That should also be clarified but we would like to know whether the letters were not sent. I have some documents with me, first of all the Governor of the Reserve Bank of India took initiative in March 1991 in connection with this scandal. I have proofs with me. But on this point, I am not ready to forgive the Reserve Bank of India, whom I consider the criminal Number 2. I believe that the Reserve bank of India has played quite an improper, dangerous and fraudulent role throughout this scam.

When debate was going on in the House and when Shri Chandra Shekhar raised his point that there was a directive. The hon. Finance Minister kept mum and said that there was no directive. At that time, I told to my colleagues sitting by my side that there was no directive either and the hon. Minister of Finance will not say anything because there was no directive as *suppressio veri suggestio falsi*. If it works, it is well and good for the finance Minister. The hon. Minister of Finance kept mum. He did not say that there was no directive. The Minister of finance may kindly tell me which was the directive of the Reserve Bank of India, we are awaiting for it.

The circular, which was given by the Governor of the Reserve Bank of India and about which you are talking today, was circulated on 26th July. It is written in the circular.

[English]

Is there any directive in this? Then, I must re-learn my English. I have forgotten my Latin but I must re-learn my English.

[Translation]

Where is that? What is written in it? For concealing whose actions this drama is played. It is written in it.

[English]

"It is matter of great concern for us. It is a matter for great concern for Reserve Bank that certain banks are engaged in types of transactions in securities which they should not be undertaking..."

[Translation]

We are doing what we should so. We are very much concerned with it. The real words of love are written in it in the coming lines. He has written four dialogues of love.

[English]

(i) Ready forward (buy lack) deals at rates which have no relevance to the market rates,

(ii) Double ready forward deals with a view to covering their oversold position in a specific security.

(iii) Sale of transactions by issue of bank Receipts (BRs)/SGL forms without actually holding the securities/without having sufficient balance in their SGL accounts.

(iv) Issuing BRs/SGL forms on behalf of their broker clients without safeguarding banks' interest.

You may be aware that with a view to helping the banks to overcome various deficiencies in the long-term securities market and to enable them to manage their short-term securities market and to enable them to manage their short-term securities market and to enable them to manage their short-term deficit/surpluses more efficiently, we have permitted banks to enter into buy-back deals in Government securities among themselves (and not with their ~~not bank~~ clients). It was our expectation that such deals will be undertaken by the selling bank, only if it holds sufficient securities (either in the physical form or in SGL account), at market related rates and such deals will be

properly reflected in their books of account.

[English]

Some of the banks appear to be taking outright oversold position in securities and in their desperate bid to cover the oversold position in a particular security/ies enter into double ready forward deals and other banks oblige them in the matter..."

To the Chief Executives of all Member Banks and copy to the Reserve Bank of India and to the other financial institutions, which may not be the Member Banks of the Indian banks' Association.

[Translation]

It is our intention to ensure that the banks do not undertake sale transactions etc. While evolving the policy, you are requested to keep in view the following guidelines.

Letter has been sent. I will not take time of the House for what is written in that letter about bank receipts. But they have a complaint that it is not good to use bankers receipts the way it is used now. Make a format of bankers receipt because till date there is not even the format of it. There is no serial number for that. I would like that the House may consider seriously about the bankers receipts. Just now Shri Murlidhar Deora has said a very important thing. He said that it is in practice only in India. Interrupting him a Member asked there might also be bankers' receipt there, then he replied that bankers' receipt is not in practice there. Bankers' receipt is merely a piece of paper. They write on a plain paper that sum of Rs. Two crore has been received, securities will be furnished later on and that amount goes into the pocket of Harshad Mehta and goes as to his account. There is no receipt, and nothing either.

[Translation]

In the end he says: there are your words of love.

[English]

We shall also be glad if a copy of the policy framework for undertaking transactions in securities, approved by your bank Boards is forwarded to us.

You talk of Karad. That was not only a bogus transaction, but there was no mention of that transaction in the regular register and accounts and balance sheet of the bank. I have balance sheets of last three years of the Bank of Karad with me. I have brought it from Karad right upto the latest balance sheet, which is handwritten. There is no mention of bankers' receipt in their accounts.

[Translation]

That is why, he is sitting silent. When he said that he did not know... (Interruptions) I am saying the same thing. Mr. Deputy Speaker, Sir, something has happened prior to it. That is also included in this report. I read out the Banker's copy. It is a letter written by Indian Bankers Association on 6th May and now it is July.

[English]

"We shall be glad; you are requested; please don't please do."

I would like to mention one point more. A manager named Raje was working in Hamam Street Office in Bombay. Raje made statement in Marathi in Bombay. In which language he gave statement to CBI only you, the hon. Prime Minister or the persons who have witnessed him giving statement, will be able to tell. The statement made by

[Translation]

It is a letter written by India Bankers' Association of 6th May before they had had these dialogues of love.

him in Marathi which appeared in newspapers is:

"Saheb amhala je sangat hote te amha Karat hoto" which means we followed the orders of Saheb. In Maharashtra the term Saheb is used not only for one person. And then some people spread the rumour but without base. The day before yesterday I faced a problem, some Marathi journalists and a Marathi Lawyer came to me and asked whether it has been found out as to who is Saheb. As he entered the room, he enquired, how are you Saheb? He called me Saheb, standing from his seat a journalist said immediately that now they had come to know as to who was the Saheb of Raje. But the real question is not this. One will not find traces of the work discharged by Raje in any ledger of the Bank. The Bank of Karad and a foreign bank Standard Chartered Bank were in hand and glove with each other, paid off capital shown in the balance sheet of the Bank of Karad is Rs. 40 Lakh. *(Interruptions)* I beg your pardon. The paid off capital in the balance sheet is Rs. 80 lakh 72 thousand and that balance-sheet is published every year. On one of the balance sheets a smiling photograph of Shri Sharad Pawar is printed. I am not casting aspersion on anyone.

[English]

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): I think you are insinuating without having the courage to name him.

[Translation]

SHRI MUKUL BALKRISHNA WASNIK (Buldana): Manmohan Singh ji what is there to get displeased in it. Next time his photograph will also appear...*(Interruptions)*

SHRI GEORGE FERNANDES: Hon. Minister of Finance, why have you got angry so soon. We have not said any such thing. It will take time to say so. I am touching this point only because when there are bankers' receipt transactions of Rs.1200 crore be-

tween this bank and a foreign Bank, and we are allowing such transactions without indulging in any scandle, it is very strange. This transaction is being done in violation of the banking rules of India, how is it so that it is going on without our knowledge. I am just making you understand. If one goes to a bank and asks it to send some money to another bank, the bank will go through the directory and will immediately examine the position of the bank as to what is the capital of a particular Bank in India, which Bank has assets and which Bank has power. Do the banks not have such information with them. And the Standard Chartered Bank has been working in India for 135 years with a deposit of one thousand crore rupees. Was it not in the knowledge of this Bank as to what is the position of the Bank of Karad. Did it not know that the Bank of Karad is not maintaining these records in its balance-sheet. Then who has got this work executed? Who was he?

Therefore, I ask if that person is Mr. Kanade the Chairman of that Bank. Hon. Finance Minister you have not taken any action against Kanade till today.

[English]

It is not a matter of shame. It is a crime. It is a criminal act.

SHRI SUDARSHAN RAYCHAUDHURI (Serampore): Why are you silent, Mr. Finance Minister?

SHRI GEORGE FERNANDES: Shri Kanade is roaming free. He still wines and dines in his house. Perhaps he is a winer and diner, I do not know, it is a manner of speaking. Be he is still one more honourable man.

[Translation]

Raje has been put behind the bars, Raje told me what he said to them. But I will not say more. Before his arrest he talked to me and told the names...*(Interruptions)* I will not disclose the names...*(Interruptions)*

Do not laugh so early. (Interruptions)

here. (Interruptions)

Do you want that I should mention the names?

Mr. Deputy Speaker, Sir, so, Bhupen Dalal, Stanchart and Bank of Karad are interested. The son of Bhupen Dalal is the director of Bank of Karad. (Interruptions)

SHRI DIGVIJAYA SINGH (Rajgarh): I will speak at the right moment. So, I talked to Raje. Raje was to meet me on 19th but by chance he met me on 18th and we were likely to meet again on 19th but he was arrested on the same night. He had been behind the bars for three weeks. It will also be clear as to what agreement they reached at. Now Raje has come out, but if the 'Sahib' is the chairman of that bank, then he is not arrested. Another persons arrested regarding this scandal, is Bhupen Dalal, who is associated with Stanchart and Bank of Karad. Bhupen Dalal lived in a kingly fashion. (Interruptions)

The name of its director is M.B. Dalal, i.e. Milan Dalal. (Interruptions) Bhupen Dalal is the man behind this scandal, he is the Chairman of Canara Bank.

One other name is T.B. Ruia not that ruya of cotton, the Ruia of Kilburn, the Ruia of Klick-Naxon and the partner of Bhupen Dalal. He has played a major role in the whole brokerage deal but Ruia is not touched. He is resting in the hospital and claims that I have arranged so many deals, so none will come to touch me.

I had uttered a word in this House about Harshad Mehta and about Bhupen Dalal, while the discussion was going-on. I do not know whether it is unparliamentary or not, I had said, "what is it all about Harshad Mehta-Harshad Mehta, Bhupen Dalal is his "Baap". You can make out its meaning, if it is not unparliamentary. What a person Bhupen Dalal is, who has done such a big scabdal. (Interruptions)

Mr. Deputy Speaker, Sir, now that I am saying is that the responsibilities of both the Reserve bank and the Finance Ministry should be combined. I am citing an example before you as to how the Government is not talking about the persons related to this scam, therefore, I am placing these facts before you. I am giving one more example as to how the facts are kept hidden. CANFINA Mutual Trust is there, I will not repeat the names as to how the representatives of the people of Government or the house of the members sit there. But CANFINA through its Managing Director, Shri K.N. Kamath fabricated a case and in the F.I.R it is stated that at the repeated request and pressure of Hiten Dalal the meeting was called about the fraudulent transactions on this scam. The meeting was held on 30th May and those who were present in the meeting were -Hiten Dalal, Abhey Narottam, Bhupen Dalal and T.B. Ruia. Now comes the turn of these four names"... He is the person who handles the leaders of the Congress. (Interruptions)

AN HON. MEMBER: May be, he is the 'Guru' of Harshad Mehta.

SHRI GEORGE FERNANDES: No, Gurus are always very good. (Interruptions) Mr. Deputy Speaker, Sir, that Bhupen Dalal is arrested and released after 15 days and after coming to meet me. (Interruptions) Bhupen Dalal says to me that everything was right with me, I have not undergone any difficulty, moreover CBI had used me to find out the guilts of others. Bhupen Dalal used to sit in the office of the bank from where the B.R scandal was being run.

SHRI MURLI DEORA: You will have to be sent to Scotland Yard. (Interruptions)

SHRI GEORGE FERNANDES: Not to speak of Scotland Yard, if you give me half of the CBI even then I will send you all from

[English]

From the Canara Bank, CANFINA, the following were present:

1. J.B. Sethi, Chairman and Managing Director

[Translation]

Who delivered a lecture before the students of the university after this scandal and said that when the country makes progress such scandals do take place. These are his words, someone might have said here which he remarked there. Otherwise, these things are, to be raised.

[English]

Shri Lakshmi Narayan, Executive Director, Canara Bank,

Shri M.V. Kamath, Deputy General Manager, Canara Bank,

Shri A.P. Rao, then Managing Director of CANFINA

Shri M. Ashok Kumar, Executive Vice-President of CANFINA.

[Translation]

Now these nine names appear in the F.I.R. When this matter came to the court, a man stood up and said that, that list was not complete, there were other people also, why their names have not been included. When the judge asked the lawyer if that was right, he gave a positive answer. The four persons were Ajay Kumar Kayan, Utsav Parikh, Pallav Seth and Anand Jain. (Interruptions) Why these four names have not been disclosed. When there were so many people present in the meeting and the F.I.R was lodged on the recommendation of the meeting, so why these four names have not been disclosed. Anand Jain maintains the accounts of Ambani and Reliance. It is known to you that Pallav Seth is the person, who has managed to send the money of numerous people to the stock market.

SHRI MURLI DEORA: Please tell, whose money this was?

SHRI GEORGE FERNANDES: I will come to this point also.. (Interruptions)

[English]

SHRI MURLI DEORA: Sir, I am on a point of order. Shri George Fernandes has said in his speech about one Shri\*... and he has said that he looks after the politicians in Bombay. He said 'Congress Party'. I happen to be the President of the Congress Party in Bombay for the last eleven years and I say on oath here, or otherwise I shall resign my seat in Parliament, that I have never seen \* at least in the last twenty years. He cannot just say anything about anybody here. There is a limit.

[Translation]

SHRI GEORGE FERNANDES: I have not mentioned your name.

SHRI MURLI DEORA: You are blaming Congress. I have been the party president there for 11 years. I have not seen Shri\*...for the last 20 years while you are blaming that he gives money to Congress. Now you are talking about some other Jain..(Interruptions)

SHRI NITISH KUMAR (Barh): There is a saying in Hindi that a guilty conscience needs no excuse.

SHRI DAU DAYAL JOSHI: Not that a guilty conscience needs no excuse but it is CHOR KE DADI MEIN LATTH

SHRI GEORGE FERNANDES: Mr. Deputy Speaker, Sir, the objection to this extent is the result of not mentioning the names of these four persons, who have links with the political leaders.

SHRI DATTA MEGHE: With all the parties. They have relation with all the political parties.

SHRI GEORGE FERNANDES: You have said that they have connections with all the political parties, you confess that with your party as well. You are not saying wrong

since you know. The names which I have mentioned, do you know about their association. I am saying it seriously.

[English]

SHRI MANI SHANKAR AIYAR: Mr. Deputy Speaker, Sir, there was a point of order that was raised and we have not heard the ruling of the Chair. Would you please have all these false allegations expunged from Mr. George Fernandes's speech?

MR. DEPUTY SPEAKER: If there are any allegations which are contrary to the rules, we shall remove them..

(Interruptions)

SHRI LOKANATH CHOUDHRY (Jagatsinghpur): Sir, statement of facts are not allegations.

[Translation]

SHRI GEORGE FERNANDES: I mean to say that the names of four persons were removed from that F.I.R and the person who suppressed and removed these names was the Managing Director or CANFINA. The reason was that these four people had some relations with those people who were protecting them. There was a conspiracy to save or protet those persons and that is why these names were not disclosed. In the next few days, you will hear the name of Mr. Ballabh Seth in this House...because Shri Ballabh Seth...

SHRI DIGVIJAYA SINGH: We are interested in other names too...

SHRI GEORGE FERNANDES: Do you want to dislodge each other? We would like this process gradually. But it appears that you people are in hurry to dislodge them immediately...

SHRI DIGVIJAYA SINGH: Please tell the other names also. You have just mentioned the four names only. We are requesting to tell us other names too..

SHRI RAM NAIK: He wants to mention the names. When the name would be disclosed the persons will no longer remain as Minister and perhaps his name may be included in the list of Members...(Interruptions)

SHRI GEORGE FERNANDES: These people are very happy and its proof is that they are clapping.

SHRI KRISHNA DUTT SULTANPURI(Shimla): He has no right to interrupt and disturb any hon. Member when he is making his speech.

[English]

MR. DEPUTY SPEAKER: What Shri Sultanpuri is saying is absolutely correct. Unless the main speaker yields, others are not expected to interfere.

[Translation]

SHRI GEORGE FERNANDES: Mr. Deputy Speaker, Sir, how is it? The Reserve Bank of India has been giving its contribution to this scam. Now you can see the last eviençe of it. It has issued directives. The initiative has been taken by them. I have got a letter written by Mr. Ranaday of Karad Bank. It has been marked as "secret". The Additional Chief Officer is Shri V. Rangrajani. The letter is undated but this letter was sent after the letter of 26th July, 92.

[English]

May I invite your attention to our then Deputy Governor Shri A Ghosh's D.O, letter of 26th July 1991...(Interruptions)

SHRI DIGVIJAYA SINGH (Rajgarh): Sir, I have a point of order. I want to know whether the hon. Member has taken your permission and has he authenticated the letter which he is reading now in the House? I want your ruling in this regard.

SHRI GEORGE FERNANDES: I will lay it on the table of the House. (Interruptions)

SHRI DIGVIJAYA SINGH: It should be authenticated.

SHRI GEORGE FERNANDES: I will authenticate it and then lay it on the table of the House. (*Interruptions*)

SHRI DIGVIJAYA SINGH: Sir, there is a well laid-out/procedure in the Rules. He should follow those rules. (*Interruptions*) We have been listening to his allegations all and sundry quite peacefully. But this kind of things cannot be allowed to go on like this.

SHRI MANISHANKAR AIYAR: He does not even know the date of the letter. (*Interruptions*) It is not correct.

SHRI DIGVIJAYA SINGH: He is referring to some photocopy which is undated, and which has got no number. It cannot go on like this. (*Interruptions*) What is this letter? What are you referring to? (*Interruptions*) Sir, I want your ruling in this regard. (*Interruptions*)

[*Translation*]

SHRI NITISH KUMAR (Barh): Mr. Deputy Speaker, Sir, it is the ruling of the Hon. Speaker that you can refer to it but you cannot quote it. It has been the tradition of the House that one can make a reference.

SHRI GEORGE FERNANDES: To refer means to read it. (*Interruptions*)

SHRI NITISH KUMAR: Mr. Deputy Speaker, Sir, the hon. Speaker, has already given a ruling that one can quote it. (*Interruptions*)

[*English*]

SHRI SRIKANTA JENA (Cuttack): Sir, If something is coming to light, why are the Congress Members objecting to that by way of rules and regulations?

SHRI DIGVIJAYA SINGH: You should follow the rules.

[*English*]

SHRI GEORGE FERNANDES: Sir, we strongly contradict this. We do not want to suppress anything, but the point remains that this House has to function according to the procedures of this House and according to the rules.

MR. DEPUTY SPEAKER: The procedure for laying of papers by private Members is covered under the Direction 118 (1) of the Directions by the Speaker. It says:

"If a private Member desires to lay a paper or document on the Table of the House, he shall supply a copy thereof to the Speaker in advance so as to enable him to decide whether permission should be given to lay the paper or document on the Table. If the Speaker permits the Member to lay the paper or document on the Table, the Member may at the appropriate time lay it on the Table

SHRI RAM NAIK: The rule which you have read is not applicable in this case.

SHRI DIGVIJAYA SINGH: The BJP is known for misrule. (*Interruptions*)

[*Translation*]

SHRI GEORGE FERNANDES: Mr. Deputy Speaker, Sir, if we cannot place the facts in the House, where should we place these facts?

SHRI DIGVIJAYA SINGH: Sir, I am now referring to a letter, which I will authenticate and place it on the Table of the House.

[*Translation*]

Mr. Deputy Speaker, Sir, I have placed the facts before you regarding the Standard

& Chartered Bank and the Bank of Karad as to how these institutions were violating the laws or rules. Even the balance sheet of the banks and their ledgers were not produced before the R.B.I. It is also surprising as to how the Reserve Bank had played its role in connection with the Bank Receipts. For this purpose, I am quoting it or referring to it, whatever word you find fit in this matter, you accept it.

Mr. Deputy Speaker, Sir, an undated letter was sent to the Chairman of the Bank... (*Interruptions*) There is also a reason behind it. I am placing some evidences as to how the Reserve Bank of India was following the cover up.

[English]

MR. DEPUTY SPEAKER: How much time will you take.

SHRI GEORGE FERNANDES: I will take some more time.

MR. DEPUTY SPEAKER: You can continue tomorrow. Now, the House stands adjourned to meet again tomorrow at 11.00 a.m.

18.00 hrs.

*The Lok Sabha then adjourned till Eleven of the Clock on Tuesday, August 4, 1992/ Sravana 13, 1914 (Saka)*