

Scam involving operations in Government Securities running into thousands of crores of rupees

- (v) **Need for early clearance to the pending power projects of Rajasthan**

[*Translation*]

SHRI DAU DAYAL JOSHI (Kota): Mr. Speaker, Sir, so far as power generation is concerned, Rajasthan is a poor State. It has to depend on other States due to complete lack of any big river and coal. Four high projects of the State have been lying pending with the Central Government for the last many years. These projects include Varsingsar Project of 250 M.W. based on lignite, Thermal Power Project of 250 magawatt at Suratgarh and Chittorgarh and three thermal power projects of 650 M.W. Dhaulpur.

Power shortage prevails in the whole State. So much so that 5 hours' power cuts are being imposed in district areas. The existing power shortage is about 37.08 per cent. Which is likely to rise to about 48.09 per cent by the year 1994.95.

The State has already forwarded the projects of 950 M.W. to the Central government, the clearance of which is yet to be received.

Therefore, the Central Government is requested to clear the pending power projects.

- (vi) **Need to improve the telephone system of Ranaghat in West Bengal and instroduce STD facility there**

[*English*]

DR.ASIM BALA (Nabadwip): Sir, the telephone system at Ranaghat sub-division often remains out of order. Rangaghat is a municipal town with more than one lakh people living there. There are a number of schools, colleges, banks, LIC, GIC offices, private and commercial offices which are facing acute hardship due to frequent telephone disorders. This place lies on the international border with Bangladesh where

frequent information of the border areas is required. The old telephone system still continues at Ranaghat. People of this area are very much agitated over the mal-functioning of telephone system of this place.

I would therefore, urge upon the Central Government to improve the telephone system of Ranaghat and introduce the STD facility immediately.

12.36 hrs.

DISCUSSION UNDER RULE 193

SCAM INVOLVING OPERATIONS IN GOVERNMENT SECURITIES RUNNING INTO THOUSANDS OF CRORES OF RUPEES—*CONTD.*

[*English*]

MR. SPEAKER: We take up the matter under Rule 193, the further discussion regarding bank matter. Shri K.P. Reddaiah Yadav was on his legs. He may continue his speech.

SHRI K.P. REDDAIAH YADAV (Machilipatnam): Mr. Speaker, Sir, in the last sitting on Friday, while speaking on the Bank scam, I was mentioning about the lack of a clean political system in the country whereby not only this bank scam, but also other anti-national activities like terrorism, Naxalism, rowdylism in all walks of life are erupting. Therefor, the need of the hour at this crucial juncture is to revamp the major political parties like the Congress (i), BJP, JD, AI-ADMK, DMK, etc. and to dispense with the system of selecting candidates for Assemblies and Parliament, with doubtful character and integrity and honesty. Nobody who manipulates the bureaucrats, the banking institutions etc. should be given tickets in the elections.

Today the bureaucrats are managing some of the MLAs, MPs by creating benani

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business houses, by getting them tickets and by funding their elections and finally making their candidates Ministers in some of the States. The bureaucrats are virtually running the country without a check either through the Legislature or the Judiciary or by the Press as the entire Indian Press is in the hands of vested interests. Anybody who has got a newspaper is being made a Rajya Sabha Member or an MLC, or the Chairman of a Corporation in this country.

AN. HON. MEMBER: What about you?

SHRI K.P. REDDAIAH YADAV: Anybody. I will relinquish from the political field if anybody says that I am one among them.

What I want to bring to the notice of this House is, that instead of our discussing the matters and we ourselves degrading the political leaders and political parties, we have to find out the real root cause why this scam or any other activity is taking place in this country.

Corruption is rampant in the country starting from the Panchayat level up to the Government of India. Therefore, the need of the hour is to see whether democratic system is functioning all right in the country or not. That is the main question. Therefore this is the time when we have to think of Presidential form of Government so that all these things can be eliminated. The country therefore needs a benevolent dictator or a democratic leader like our Prime Minister who wants to institutionalise the entire system democratically. These are the main major problems before the House to consider.

If we fail to get back our people's money or fail to put all the bureaucrats, bank officials and politicians who are directly involved in this scam in their correct position, it amounts to failure of the functioning of the Constitution itself. The people will lose faith in our Government. Then a question will arise in the country, why a hungry man who is not having one day meal, should keep quiet dies

of hunger instead of looting the person who has reserved the wealth more than he can utilise or enjoy by oneself. Poor man is keeping quiet because he has to respect the law of the land, Constitution. Big people, privileged people like us, bureaucrats, Ministers, Industrialists did not respect the law of the land, Constitution. Why should the poor die with hunger without disrespect to the law of land when there are people who are having more than necessary?

Now a pertinent question arises and demands that the top bureaucrats, industrialists, politicians, judges should notify their assets both in their names, in the names of their relatives, benami names and then should be handed over to CBI for thorough verification

The immediate task before this Government is how to bring back the huge money illegally deposited by bureaucrats, politicians, power brokers of this country in various foreign countries. For this if needed, Constitution should be amended. If the Government cannot fulfil this duty, one day it may have to be enforced by people. Our Constitution cannot do anything if they took this task into their hands and perpetuate people's rule instead of dubious democratic rule.

There are rough estimates of about Rs. 40,000 crore looted from the middle class people and farmers by putting Rs. 3900 crore bank money drawn by brokers into purchasing of shares. This money might have already been transferred to Switzerland bank

It is shameful for all of us that we are blaming each other but afraid of bringing even the name of a single bureaucrat or their nexus into light.

We have thrown out the Britishers from our country but today we have a bigger task to control the bureaucrats who have occupied the whole country's administrative Majority of town properties are owned by the bureaucrats. They are having second establishments either in the shape of a share industries, export, import business in the

houses, or real estate etc. What are we doing? Simply we have surrendered to their dominance. Why? It is because some of the third graded persons entered into the holy temples of Parliament and Assembly.

Even if the political leadership takes strong action on the bureaucrats, they will not care since they have already arranged second establishments as narrated above. They are capable of running parallel administration with illegally earned money and resources. Therefore, the need of the hour is to identify the weak links and linkage between the bureaucrats and politicians and put the bureaucrats on constant surveillance.

Therefore, the whole House should support the Prime Minister to bring out the truth in the Bank Scam and allow him to revamp the political system based on natural law, natural theory rather than on hypocritical theory.

Most of the power brokers, manipulators now stays in the State guest houses, MP quarters, Ministers, bugalov. Why should we talk about others? Why not we search our hearts by ourselves?

Indian people are matured people and world known democratic people. They elected Shri Rajiv Gandhi in 1984 without a simple paise expenditure. They have elected Shri Morarji in 1978 without a paise. They have elected Shri V.P. Singh in 1989 without a paise expenses. Many time they have proved their maturity. Why the political parties are bent upon collecting money from the industrialists, who are looting bank money and all that? People are very matured people. If you have proved to be honest; if you have to be real servant of the people, they will elect you without a single paise expenses in the elections.

So, the national leadership should now think that money alone is not solution to get elected in elections. It require a cause of manifesto, candidates with integrity character, etc. Hence we should depend on educating the people on these lines.

Finally, Sir, now the Scam has already gone into the minds of the people of this country. Instead of searching all these things what I have told is that, first of all, we have to revamp the political system, we have to identify the linkages between bureaucrats and politicians, industrialists and power brokers. Our Prime Minister has given an ample scope to democratically bring out the truth and to root out causes for such things to take place in the country. There is an ample scope for identifying all these things under JPC, which our hon. Prime Minister has announced.

There is corruption from the Panchayati Raj level to the Government of India level. If we cannot find or weed out the corruption by democratic system, the only way left is to opt for a benevolent dictator or a Presidential system of Government where the dubious and third rates politicians will not find place in the Cabinet or in the Assembly or in the Parliament.

With these words, I conclude.

SHRI VISHWANATH PRATAP SINGH (Fatehpur): Mr. Speaker, Sir, I did not know that I would be called so early.

Some thing which has happened now has become a national concern and everyone is interested to reach at the bottom of the truth and also as to what measures should we take that in future such things do not happen. This is precisely which you have considered while forming the JPC that these concerns should be addressed.

Now, I think what is before us is the concern of lakhs and crores of investors who have been ruined, their confidence has been shaken and it will take quite some time to regain their confidence, which is something which is going to affect our strategy for flow of investments for our industrial growth and development.

The Indian stock market is the second largest market in the world. The total value of stocks which was hovering around Rs.

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 60,000 crores till 1991 rose to Rs.2,40,000 crores in the last one year, while in other world market, the growth was at 'nail' s pace. This was held as in the health of the economy. In fact, I think, now if we look back, intoxication was held as a health. The market was intoxicated and something was going wrong and always in the Finance Ministry we took precaution when the market went too high, moderate or it fell too low to make an effort just like in the case of blood pressure normal to be at normal levels. I think that was a signal where the Government ought to have been alerted as to why it is behaving in this fashion and go deeply and take measures to bring it to normal health.

The report that has come says that the total value of our investments made by banks and institutions for which they do not hold securities, SGL transfer forms or BRs, that is more than Rs. 3,400 crores. But the question is that this is something for which they have no BRs. or SGLs or securities. But the amount of transactions that the whole scam, as it is called, has generated, is not devaluated. How much black money could have generated, how much money could go abroad, this figure gives no idea of dimension and I think it is yet to unfold itself in its entirety.

One of the *modus operandi* in this that has been brought to our notice by the Janakiraman Committee Report is that in these bank transfers, the moneys went to the brokers. I am given to understand- I may be corrected- that these are the A/c Payee cheques, so, the amount should go to the payees' account, but it has flown into the brokers' accounts. This is a criminal liability if you put money of the payee to someone else's account. This, in a banking system to happen, and happen at such a large scale, is something which I fail to understand how it could have happened because when a person puts his money in a bank, there is total trust that it will be according to due procedure. There is an implicit faith in the procedures of the bank that when we put in our money there, there is no fear that that money will go away somewhere else. When

one draws out a cheque, one believes that it will go to where he has drawn out that cheque and not somewhere else. That this could happen at such a large scale, gives rise to lot of questions as to how this could happen, why this has happened and what action is being taken for the criminal liability in what has happened.

The Report says that in Andhra Bank Financial Services Limited, three certificates for 9.7 crore units of UTI, that means of the value of Rs.151 crores, deposited with Fairgrowth under forward transactions, were not genuine. These are forged documents. How are the Andhra Bank Financial Services and Fairgrowth able to transact in these forged documents? Also, lot of questions have been raised about Fairgrowth itself- the people involved in it, the connections thereof. I do not put any blame on anyone but when questions have been raised, I think all the connections of Fairgrowth and those who are connected with it, should come out. One high official has resigned also for having connections. I suppose — at least we know only from papers- he said that he has transferred his shares to so and so and that person, in the Press at least, says that there is no transfer and that he has only kept those shares. Then we are given to understand that those shares cannot be transferred within three years; there is a certain time. And all this goes on. We want to know what auction is being taken. Light should be thrown on it. Or is it that some people are immune to action, while some people will be sent to jail. Just as some people are below *garibi rekha* and some are above *garibi rekha*, is it that some people are below *jail rekha* and some are above *jail rekha*? It looks like this. With all this evidence coming, the Government should come out and say 'no, this is wrong'. At least then the rumours would not spread. This is the responsibility of the Government to come out and say what is about this Fairgrowth and the statement of a high official which has got contradicted, and also what action has been taken, because that amounts to criminal liability.

Then, what the Janakiraman Report

goes on to say is that the merchant banking subsidiaries of public sector banks have received large sums as inter-corporate deposits and not PMSs. It does not relate to any P.M., relates to Portfolio Management Schemes. And there are similar schemes that these things have been made available to brokers under Ready-forward of bills. That is the mechanism that has been said. While saying that the public sector has played a very big role, the Janakiraman Committee report does not mention any name. I think that is one thing which is a shortfall of the report. When it made a mention, it should have mentioned the names of the public sector units. Now they are coming out. We are receiving it through the press. Every day a list of public sector units comes out. It is not very happy thing for us to see the picture in this way. If it is like that, certainly this aspect has to be gone into apart from banks and some financial institutions. What has come to light by this report is that during the 14 months that is from 1st April, 1991 to 23rd May, 1992, the total value of the transactions, was Rs.9,06,000 crores. That does mean that all is wrong or all are tainted transactions. Out of the above transactions, the ready-forward transactions amount to 56 per cent. Here it shows the picture of the speculative part of the whole market, while the out-right deals has been only at 5.26 per cent. I want to know that the Government is thinking about this because this ready-forward has taken us really backward, so far as our economy is concerned. See what is being done today.

Let us look into the clout which the foreign banks have got today. I can understand the concern of the hon. Finance Minister, Shri Manmohan Singh, that when we mention foreign banks, his worry starts whether the moneys will follow in or not, and therefore, we should not mention foreign banks. But I am constrained to say when it comes to these dimensions, it has to be put on record and there is no reason why we should not go into all the details.

The foreign banks alone account for 71 per cent of the transactions out of the trans-

actions worth Rs. 72,000 crores in respect of Unit Trust of India. That shows the clout the foreign banks are having now in the whole system within this short time.

I need not go into the broker-wise details. They have all come out. Names like Champak Lal, Devi Das, Harshad Mehta, H.B. Dalal, V.B. Desai etc. have become very common names. A very large section of the transactions has flown into them. Out of the Rs.9,06,000 crores, 20 per cent has flown into them. 20 per cent of that money is a very large chunk of money. If we also see the direct transactions of Rs. 3,50,000 crores, then out of the balance, it is almost one-third which has gone to these people. That is the clout that they have.

Let us see the bank-wise details. Out of the transactions of Rs.9,06,000 crores in crores, four banks- City Bank, Stanchart, Bank of America and the ANZ Gridlays Bank-alone account for 70 per cent. It is all right if you are doing good business and not any tainted business. You cannot, perhaps, take objection on that ground only that there is large money involved. I am not making a point on that now though there are many points that can be made.

But what comes further by the report is that the number of transactions that have not matched. An attempt was made to match the transactions on the computer, transactions reported by a bank as being with a specified counter-party bank with the transactions as reported by the concerned counter-party bank. When they tried to match the statements of the banks, the amount which did not match-may not match does not mean all is wrong- was there. I understand it. But the point that arises is that within this amount which did not match 60 per cent was from the foreign banks.

13.00 hrs

Now we talk of efficiency that it will bring because we have got these foreign banks, Stanchart and all that. Where is the efficiency? It is mismatch of amounts of about

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50 per cent of funds. The Stanchart is a British Bank. As regards its conduct, it is more than 100 years or less than that, quite a long time, at least 60-70 years. Now it entered into that transaction with Metropolitan Cooperative Bank. I am told this has got a capital of Rs.1 crore. I do not know. It has got one Office. I do not know whether it has got one telephone. I do not know, may be it has more than one telephone. Whatever it may be, that is not the major point. How is it well-established? You must be knowing the financial position of the banks in the country. There are about 70 banks established. This MCB has bank receipts to the tune of Rs.1,944 crores, almost Rs.2,000 crores. How has it come about? What is behind it? That is the point and whether there are certain dealings outside the country which have given confidence to do this or what is the mechanism? It is a very serious question.

The conclusion that Janakiraman Committee Report has drawn is very serious. For instance, Canfinance has recorded purchases in its books at Rs.90/- of a 100 share values, 90 per bond and the balance of Rs.10/- per bond has been received by Canfinance from the broker. It is very funny. I mean, a Rs.100/ share, the broker tells Canfinance "You buy it." Perhaps Canfinance thought that at the value it is loss, it is not that real value. Then the broker says "All right. You buy it. I will give you Rs.10/-. Put in only Rs 90/-" It is total fraud that has taken place and I do not know if that Bank has been alert when this broker is putting Rs. 10/- of his own to buy my shares. Why is he putting this money? He cannot afford it in a straight deal. A broker will not say "I will give you money." They ought to have been alerted about the very fact of his giving money that there is something wrong.

The conclusion that has been drawn is:-

"Sales were clearly violative of condition 15 of the terms and conditions which bids were invited which require that the off-loading of the shareholding shall be through normal stock exchange transactions."

PSUs did not follow. They did not go through normal stock exchange transactions and we just cannot understand how could they do it. If they have not gone through them, what action has been taken against those who have violated it? After all, rules and regulations of the Government are not just good wishes. Therefore, it is a flagrant violation. What action has been taken against any public sector so far which is one record?

Then the other point they have pointed out is that there was a clear guideline that unless the shares are not listed, shares should not be made, names. That was a very sensible guideline because when a share is listed, its market value can be judged by the public sector whether they are getting a correct price or not. Now they went ahead against the guidelines without listing and made their own arrangements and made sales. We do not know how much money the country has lost and the people have lost in all these deals and the value of it.

Certainly, some people have made huge profits. So, that must be our loss. If any regulations is needed to bring them to book, I think, we will give you all the authority and you have the authority. We are not in favour of any draconian law like the TADA etc, for any reason whatsoever. But we are aware, TADA is used against the farmers. All these draconian laws are used against the workers. An MLA of ours was raising the issue of the tribals. He is under lock-up under one of these laws-TADA or NSA or whatever it is. We do not endorse such draconian laws. But if there is going to be any use of such a law, why do you not use it here against the people used against the workers and the farmers. This is how they are being used.

Then, there is a case of the Andhra Bank Financial Services. Whatever monies were invested or placed with it, on oral understanding also, all the monies were forwarded. Many of the contracts did not materialise. All these are known names-Fair Growth, Hiten Dalal, V.B.Desai, Can Fin etc. and all the money was just faulted. Well, I will not burden you and the House with all these details. They are in the Report. I am just

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pointing out some of the aspects of this rather lengthy Report.

Sir, some questions arise which have not been answered. Now, Harshad is behind the bars. He is under lock-up. Under your eyes, he is a criminal. You are taking action and filed FIR. How is it that this person has got such a big clout? I had been in the Finance Ministry. We did invite people, industrialists, economists, farmers, trade-unionists to give advice in our Budget-making, before the Budget-making. For the first time I have come across this- maybe in the history of the Finance Ministry-where one person has been selected, Harshad Mehta. This story has not been denied. Or, the information may be wrong, I do not know because we do not have the Intelligence Department with us. It may be wrong. And, if it is wrong, wrong, it is wrong. But what we are told is that in the Finance Ministry he was called to brief some officers about his ideas on how investments can flow into the country. May be, Shri Manmohan Singh is nodding his head that that is not true. But this story was circulated for quite a long time without a formal denial. So, even if it is wrong, it ought to have been denied. Why are we put in the wrong mental-frame? But, if it is true, then, I want to ask: How is it that among the 80-crore people, among the whole of the country which has got experts, economists, Harshad Mehta was invited? You might correct me right here itself so that I may not go on on these lines.

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): I wish to state categorically that Harshad Mehta was no invited by the Finance Ministry and that there was not question of any discussion on the Budget matter. It did happen that a Member of the Planning Commission suggested to the Finance Secretary saying: "Here is a person who has some ideas about the Balance of Payments situation." And the Finance Secretary did see him. There was no discussion of the type that there was a Seminar or of any type. (Interruptions)

SHRI VISHWANATH PRATAP SINGH:

Thank, you very much, Now, Shri Manmohan Singh has said that there was no invitation and there was no discussion on the Budget. But did he come in the Finance Ministry- without invitation? That is all the more important. Had he come with invitation your authority would have prevailed. He comes without invitation. (Interruptions)

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): So many people come. (Interruptions)

SHRI VISHWANATH PRATAP SINGH: All right. The point arises: When he came- Budget may not have been discussed- did he interact with the high officials or did he meet peons and went back? (Interruptions)

SHRI MANMOHAN SINGH: I did say that he came to see the Finance Secretary. (Interruptions)

SHRI VISHWANATH PRATAP SINGH: My question has not been answered. I am asking: When he came to the Finance Ministry, did he go as a visitor to see the rooms or did he interact with the officials there, a group of officials there? It is important.

THE MINISTER OF DEFENCE (SHRI SHARAD PAWAR): Finance Secretary.

SHRI VISHWANATH PRATAP SINGH: Only? Did he not meet any other officer? Manmohan Singhji, please check it up. You might not be knowing. I know sitting there many things may not be in your light, many things may not come to light. This Scam was not in your light when you took over. It has come to light now. This also may come to light. You please answer this. Did he meet a group of officials or not? You just formally inform us.

SHRI MANMOHAN SINGH: I think, I come back to the House.

SHRI VISHWANATH PRATAP SINGH: Anyway. The other point is that when Shri Harshad was raided on 25th February or may be earlier, it may be some time in

February-dates may not be correct-then the papers that were received they were with the I. T. Chief Commissioner (Income-Tax), Mr. Nair. Who acted and why were all the papers transferred to some other official? Who was behind all these papers? It is normally a person whom you have trusted, he has taken action. He has in custody all your papers. And there is no particular reason why papers would be shifted to other officials. There is very good reason for it. If they do not have trust, that is another reason. But that has raised questions. Who are the people behind this and who have got these papers transferred?

Then already a point about the taking over of Bank of Karad and RBI's advice that has been raised, perhaps, the Finance Minister has said something about it. As for RBI, what indication did it give to the Finance Ministry? There is need to look into the whole matter. There is something which is of concern in it. We are given to understand that round about somewhere in early March the RBI Governor did write to the Finance Ministry expressing in his now way some deep concern about what is happening and the need for action. Since then and till now, what action did the Finance Ministry take on that till everything came out?

In the statement which the Finance Minister made some time back, what we noted was that there was no mention of foreign banks in that statement when he made it in the House. When their patentee is on the record and when their involvement was so extensive and so deep, how is it that there is omission of foreign banks in the Finance Minister's statement?

SHRI MANMOHAN SINGH: It is there in the annexe.

SHRI VISHWANATH PRATAP SINGH: They are not in the annexe. They are in the main building. That is the problem. You want them to be in the out-house, but they are controlling the main building.

SHRI MANMOHAN SINGH: The names of the banks are there in that.

SHRI VISHWANATH PRATAP SINGH: Anyway, I expect that you will take the House into confidence and mention the names of pivotal persons behind it.

I would like to ask one thing. The inter-bank cheques and transactions have to go through the clearings house. Clearing Houses are directly under the Reserve Bank of India. There is one right there in Bombay itself. There are five or six Clearing Houses in the rest of the country. In a Clearing House normally people are aware as to which bank's transactions are there to what level. You can give a technical answer but and large it is known what is the alertness and supervision prevailing there.

Banks which were having transactions to the extent of Rs.3 crores, Rs.5 crore or Rs. 6 crore, suddenly started transacting in hundreds of crore of rupees. Right there the Reserve Bank has a mechanism within itself. So it is not a question of systems failure alone. I do not want to mention the names and details of people whom we had asked to leave and were brought back and finally they are the persons who may be involved here. In the National Housing Bank we had asked Mr. Pherwani to leave and he came back. I do not want to go into the details of all the individuals.

SHRI MANMOHAN SINGH: He was there when we came into the Government.

SHRI VISHWANATH PRATAP SINGH: But Mr. Margabandhu came later. I do not want to go into this. What I want to say is that it is not the question of mere system failure. There is failure on the part of individuals also and you cannot just cover it up by saying that it is a system failure. The failure on the part of RBI to get alert in the Clearing Houses when the volume of business shot up does raise the question as to who are the people who were not alert.

There are other aspects also. Formally it can always be denied; but as things go, the industry always start assessing what polices are likely to be. They also have channels of inside information, one thing is that they

[Sh. Vishwanath Pratap Singh] were very clear that the IMF and the World Bank are going to put pressure on having interest rates at the market rate level. Once having generally seen the trend of the new policy with a specific information that a new series of Government securities is going to come with higher rates of interest and better terms, the foreign banks—it is the foreign banks again—heavily sold their securities ready-forward to make up a killing on it. The information on coupon rates, the new economic policy, its trend, its assessment, all have been woven into this big scam that has come.

I am not saying because of it has happened; but it has happened certainly due to the access to information. Otherwise there is no reason you can think of Mr. Finance Minister as to how suddenly these foreign banks decided to sell heavily their securities just before a new series was to come. Has this happened earlier in this scale? If it has not happened in this scale; how are not to draw a conclusion that there must have been some information that they took advantage of? If they have taken such inroads into the whole economy and also within the Government to get inside information, then what is the state of affairs?

About the decision of partial convertibility also they had a fair idea or knowledge or leakage, whatever it may be. The rupee was devalued two times right in the beginning as soon as the new Government came. They were aware that there was still IMF pressure to further devalue it. A lot of people— who may not come into the security scam framework and that is why I say there are various aspects of it and I do not know whether they will come into it—drew heavily from the RBI foreign exchange on the ground of imports.

Earlier there used to be scrutiny to find out whether the imports are genuine or not. Then there would be a more liberal attitude and they were providing the foreign exchange. Later on, they came to the RBI and said, "Well, with the devaluation, now imports have become loss-making things; we

want to return the foreign exchange." So long as it is this story, okay. But, I am told— I may be wrong again and the Finance Minister can inform— that they were issued foreign exchange at higher rates. Maybe at that time, the official rates would have prevailed. They, knowing the IMF-World Bank policy that these rates will have to go up, have just inflated the demand, got the foreign exchange. Then they said that the transaction was not profitable to them and they want to return it. The point that arises is this. Is it true— I may be wrongly informed because we do get several information— that they were given at rates much higher than that of the market rates? Kindly check up. The RBI did put a stop. Yes. You may be nodding your head because the RBI did stop it; but the banks have not stopped it. So, I will request the Finance Minister not only to go on the orders of the RBI, but also to see whether the banks have resorted to returning the foreign exchange at much higher rates. There may be a violation of RBI guidelines here also, on certain aspects.

We have been saying that the foreign exchange aspect of it has not been gone into in detail, though through the papers we have been informed that foreign banks there is going to be a special audit. I do not know whether a special audit has really begun; maybe recently it might have begun. But quite a long time has been left out to them to try to present a better case for you. That much time at least they had got. Now in the investigations, how much we will get—that also we have to see.

The other aspect is this. In the whole scam, we know that the common man is the loser. But, who are the beneficiaries and who are the end-beneficiaries? There has to be a beneficiary; but it is also necessary to see who are the end-beneficiaries. Maybe, legally you may not be able to take, under the present law, any action because you may say, "What can we do, if Harshad Mehta and all these people play a gamble? They are the beneficiaries and we are not". It is very necessary— if we have to understand the whole dimension - to identify who are the

end-beneficiaries. Then we can understand the whole picture as to who are the operators and how this whole thing has come about.

It is also takes us to other issues. I do not want to go into it in great detail. There are details and details- as JPC is coming, perhaps we will go into it in great detail- on the issue of corruption. Now my elder brother and respected Shri Chandra Shekhar has made a point that that is not much of the issue, in the sense that there are much larger issues before the country, when the country's dignity comes into picture. I might agree with him. But the question is of corruption, not on moral ground. I do not say that it is an issue of corruption on ethical ground. When we are in politics and when we have fighting elections, nobody can turn a moral ground at the other. That is the point. That is the basic point which we all have to see.

SHRIBHOGENDRA JHA (Madhubani):
Nobody can? (Interruptions)

SHRIVISHWANATH PRATAP SINGH:
I said generally. All right. I accept it; I qualify. By and large, I would say that it is not in the sense of personal corruption. It is what is happening. In this system, these are the various things that we face. It is the common man who is robbed finally. Even if he buys a match box, he pays excise duty on it. If that money is siphoned off or not put in the treasury bag, he is robbed. His locks have been broken without being sealed. It is this aspect which we have to see and not the ethical or moral aspect of one being over the other; it is the common man whom we have to safeguard.

It has also to be seen that with various countries, we have gone into a debt trap. It will not be a perfect correlation. But there is a very high correlation that there have been high levels of corruption. That way, it also affects our internal strength and our economic sovereignty when large money is siphoned off. It is not the thing. Now what has come up is the evidence that Harshad Mehta has got the accounts abroad in tax havens- all these documents have come-

that very huge amounts have been paid to his brother and to his mother from tax havens. In the first raid, all these documents had come to the Government's notice. Till now, what action has been taken?

There is one gentleman, Mr. Shah, who has just vanished. It has appeared. Now exactly we know his name. Otherwise, we were stuck up and the names also were not known. The names are forgotten. At least his names is here. So, how is that he just escaped from here.

Then, there is one gentleman, Bhupen Dalal. Now his transactions are larger than that of Harshad. What is happening to him? I am told that very respectfully he is dealt with. Well, respectfully legal action can be taken. Very respectfully, the legal action can be taken. Very respectfully, the Police Inspector can do his job. How is it that he is quite scot free and nothing is going on? Also when all this has come out, why haven't the Grindlays Bank been asked from what sources this money has come to Mehta? Is there any special immunity to the foreign banks that in this case we will not look to that side?

Now these moneys have come. The Grindlays Bank could tell you whether all this money has come from Canary Islands or else what has been the source? So, these are the things which have caused us concern.

I think, this is very important. What I mentioned is the issue of corruption generally - as I was speaking - not in the moral sense but in the public interest. Here somewhere all of us will have to address ourselves to the issue of funding of elections. It is here where the major compromise is made. Here the nexus starts. Generally, I am not accusing anyone. As we see it, this will grow. As the corporate sector grows, its vested interests in Government grow because one small rule of the Government can affect the corporate sector in several hundred crores. So, as they grow, it will not be enough as it was earlier just to contribute something and

[Sh. Vishwanath Pratap Singh]

get the licences, etc. But now to ensure the interest, they have started seeing and what to see that proper persons are at proper places. The political hue of the country is perhaps to their tune. They may try. Then people are strong enough to face them. That is another thing. But the attempts and pressures will be there because their stakes are very high. And this will continue. This is one thing.

The other thing is as the elections become expensive, the party is to raise funds. I am not referring to any party. Why is Mr. Kesri smiling? I know your responsibility. *(Interruptions)*

SHRI MURLI DEORA (Bombay South): Is Congress Party the only party which can manage election without any fund? Have you never taken any funds for elections? *(Interruptions)*

SHRI VISHWANATH PRATAP SINGH: I am not saying that. *(Interruptions)* What I am saying is that we are all under this impression. *(Interruptions)* Let us put our heads together without accusing each other. How can we get out of it? One is the State funding. The argument is made that the election expenses will not be counted. Yes, it will not be counted. But the essential fact is that people lose elections because of shortage of funds but they do not win because of funds.

So, even if there is a chance, the person can fight against even bigger funds. At least, the system will have a chance. But the system which we are having does not have a chance. Let us give it a chance. We have to certainly go in for transparency of Government functioning. We have the right to know. In Swedish countries, transparency is there where people can ask and see the Government files. So, the same should be applied here if we are to fight an issue with such a large dimension. We have done quite a lot of footwork. That might be with the Govern-

ment. We can go ahead with it. We will give all our cooperation to you. We cannot legislate principally on constructive responsibility which has to be resurrected in Parliament. When we occupy high offices, unless there is the principle of constructive responsibility, how will there be accountability? To prove that a person in high office has done something wrong is very very difficult technically. But accountability at high office has to come from somewhere. Otherwise, there will be decisions without application of minds and whenever people meet, people will forget their names. People will resign without giving explanation. How do we face it? So, it is on this aspect which I most humbly beg that we should all come together and all parties should come together to find a solution. With these words, I hope the JPC will go ahead with various institutions of the Government in finding the truth taking the real interest of the country into account.

13.32 hrs.

STATEMENT BY PRIME MINISTER

Notice of Premature Retirement by Shri Madhvan

[English]

THE PRIME MINISTER (SHRI P.V. NARASIMHA RAO): Mr. Speaker Sir, the notice of premature retirement given by Shri Madhvan who was investigating seven out of ten cases registered so far in the Securities Scam has been mentioned in the House on 31st July. Since he as in charge of important cases in this difficult and delicate investigation, his decision to voluntarily retire gave rise to concern and speculation. One charge made in this connection was that PMO interfered and exerted pressure on Shri Madhvan to deter him from carrying out investigations against Ministers and senior officers. An inference has been drawn that it is for this reason that he has decided to seek retirement. I have ascertained the