

LOK SABHA DEBATES

LOK SABHA

Thursday, December 30, 1993/

Pausa 9, 1915 (Saka)

The Lok Sabha met at
Eleven of the Clock.

[MR. SPEAKER *in the Chair*]

[Translation]

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

[English]

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

[Translation]

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

[English]

MR. SPEAKER: Now, Secre-
tary-General.

11.02 hrs.

ASSENT TO BILLS

[English]

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

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

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

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

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

11.02 1/2 hrs.

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

Minutes

[English]

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

11.03 hrs.

DISCUSSION UNDER RULE 193

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

[English]

MR. SPEAKER: Shri Ram Kapse.

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

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

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

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

concerned and as far as banks are concerned.

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

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

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

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

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

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

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

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

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

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

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

[Translation]

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

[English]

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

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

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

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

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

[Shri Ram Kapse]

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

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

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

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

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

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

I would again ask you one question.

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

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

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

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

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

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

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

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

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

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

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

[Shri Ram Kapse]

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

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

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

Let us come to page 39 of the JPC Report:

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

"The Committee wish to underline that FFSL seems to have perfected systems to circumvent all the rules and regulations. It sought to influence public servants--which includes Government Officers and Ministers through inducement including that of offering its high value shares at face value. FFSL provided the perfect conduit for collusive activities between broker and banker."

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

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

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

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

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

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

themselves should be allowed to deal with such matters.

That is my last suggestion.

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

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

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

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

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

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

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

[Shri Indrajit Gupta]

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

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

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

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

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

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

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

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

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

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

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

[Shri Indrajit Gupta]

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

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

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

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

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

11.51 hrs.

[MR. DEPUTY SPEAKER *in the Chair*]

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

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

SHRI SOMNATH CHATTERJEE (Bolpur): And giving diary.

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

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

SHRI INDRAJIT GUPTA: Video.

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

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

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

What I want to say is that there are

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

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

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

[Shri Indrajit Gupta]

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

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

SHRI SOMNATH CHATTERJEE:

He was not allowed.

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

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

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

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

SHRI SAIFUDDIN CHOUDHURY

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

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

12.00 hrs.

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

[Translation]

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

[English]

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

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

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

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

[Shri Indrajit Gupta]

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

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

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

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

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

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

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

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

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

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

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

[*Translation*]

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

[*English*]

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

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

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

AN HON. MEMBER: What about Lal Bahadur Shastri?

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

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

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

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

SHRI PRANAB MUKHERJEE: It was a Parliamentary inquiry.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SHRI SOMNATH CHATTERJEE: Kindly yield for half a minute.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

But, by and large, there is a consensus.

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

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

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

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

On 30th April, 1992 they set up the

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

SHRI RAM NAIK: And it still continues.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[Translation]

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

[English]

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

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

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

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

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

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

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

With these words, I conclude.

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

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

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

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

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

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

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

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

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

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

Next, the Finance Minister tells the JPC like this:

"As regards the functions of the FM, he oversees the work of the Ministry and provides overall policy guidance to the officials. Revenue and Expenditure decisions are the direct responsibility of the Finance Ministry. As such, FM has more direct responsibility in these areas. He is also responsible for broad policy decisions affecting the financial system where the Finance Ministry is involved."

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

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

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

[Shri Srikanta Jena]

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

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

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

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

13.00 hrs.

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

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

[Translation]

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

[English]

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

"The principle of constructive ministerial responsibility is equally applicable to other Departments and Ministries where acts of omission and commission have taken place in the discharge of function and duties at different levels."

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

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

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

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

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

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

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

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

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

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

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

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

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

[Shri Srikanta Jena]

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

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

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

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

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

I underline this word "lured".

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

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

[*Translation*]

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

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

[*English*]

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

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

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

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

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

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

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

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

[Translation]

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

"Bane Hain Aehle Havas Muddai
Bhi Munsif Bhi,

Kise Vakil Karen Kisse Munsifi
Chahein".

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

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

"Unme Kirdar Kee Azmat Nahi Pai
Jati,

Ho Ke Mazboor Jo Bande Ko
Khuda Kehte Hain".

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

"Dahate Koolon Ko Shikayat hai Ki
Navik bankar

Hamne Kishti Ko hi toofan bana
Dala Hai,

Unche adarsh Saream yon neelam
Kiye,

Jaise Jantantra Ko dukan banadala
hai,

Kavi Kee awaz bagawat par utar
aayi hai,

Dal Ke daldal hame Koi Sarokar
nahin,

Hamne Is Desh Kee Tasvir bigari
Aise,

Jaise Is Desh Kee mitti Se Hame
payar nahin."

[English]

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

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

[Shri Srikanta Jena]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[Translation]

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

[English]

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

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

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

The Report says and I quote:

"Public servants include the Ministers."

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

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

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

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

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

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

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

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

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

SHRI MRUTYUNJAYA NAYAK: I do not need your recommendation.

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

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

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

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

Finally, the Committee says and I quote:

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

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

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

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

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

13.30 hrs.

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

14.21 hrs.

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

(MR. SPEAKER in the Chair)

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