

The nation wants that this Government should do the needful overhauling and punish all the guilty.

Chancellor of United Kingdom and Lady Mackay who are on a visit to India as our honoured guests.

Lastly, I will appeal to the House, particularly to the Treasury Benches, not to take it as a partisan question. It is the future of the nation. What happened in the name of scam is not only ghastly but it also affects the whole fabric of our polity. The nation is looking at us, the world is looking at us. Let us be united and save the country from the brink of total disaster. Let us unitedly uphold the values for which thousands and thousands of our countrymen have sacrificed their lives during the freedom struggle and even afterwards. Let us be united to save the nation. Let it not be taken as a partisan question.

With these few words, I conclude with the hope that this Government will just respond positively and not negatively.

They arrived Delhi on 29 December, 1993 evening. They are now seated in the special box. We wish them a happy and fruitful stay in our country. Through them we convey our greetings and best wishes to Her Majesty the Queen, the Prime Minister, the Parliament, the Government and the friendly people of the United Kingdom.

15.38 1/2 hrs.

DISCUSSION UNDER RULE 193

**Report of the Joint Committee to
enquire into Irregularities in Securities
and Banking Transactions— Contd.**

[English]

15.37 1/2 hrs.

WELCOME TO LORD
CHANCELLOR OF U.K.

[English]

MR. SPEAKER: Hon. Members, I have to make an announcement.

On my own behalf and on behalf of the Hon'ble Members of the House, I have great pleasure in welcoming Rt. Hon'ble Lord Mackay of Clashfern, Lord

SHRI PRITHVIRAJ D. CHAVAN (Karad): Mr. Speaker, Sir, the Joint Parliamentary Committee enquiring into the irregularities in the securities and banking transactions was set up to find out the 'when', 'how', 'why', 'where' and 'who' of the scam. When did it start? How was it done? Why did it happen? Who did it? Where did the money go?

The Janakiraman Committee answered some questions. The JPC has answered the remaining questions. However, both could not find where the money went. A subsequent Committee will do that.

[Shri Prithviraj D. Chavan]

The answer to 'when' is important in fixing responsibility and I will come to it shortly. But, it is the 'why' part of it that I am most concerned about. Why did it happen in spite of checks and balances, inspections, audits, Annual Reviews, weekly abstracts, Government directors—the whole edifice of regulatory mechanism? And further what is the guarantee that it will not happen again?

Many speakers from this side have very ably shown that the scam was first identified in mid—80s. Augustine Curias' report, which unfortunately was not heeded, makes it clear. The irregularities took place during the tenure of four Governments including the present one.

It is to the credit of this Government and the Ministry of Finance under the leadership of Dr. Manmohan Singh that the scam that went undetected for 7–8 long years was finally discovered. It was stopped, people were arrested and are being prosecuted—something which five former Finance Ministers could not do. I am surprised that rather than being grateful to him, we want his resignation. If Dr. Manmohan Singh is to be held responsible, then I am afraid, we will have to hold all those who held office since 1986 also responsible.

I will just point out 2-3 examples because Prof. Kapse mentioned them. I will not take much time.

I would like to ask a question : Is it

not a fact that Shri Shantilal Patel, a former Member of Parliament wrote two letters to the then Finance Minister Shri Madhu Dandavate on 1st and 9th of October, 1990 highlighting the specific involvement of Bank of Karad in the illegal transactions involving L&T and Reliance shares? This is stated very clearly in paragraph 12.15 of the report.

Secondly, Prof. Kapse also mentioned about Shri Pherwani. He was removed from the U.T.I. Board; but days later he was appointed to the chairmanship of another financial company. The National Housing Bank was constituted in 1988; but nobody constituted its Board. Who appointed Shri Pherwani to the N.H.B.? These questions need answer.

Thirdly and lastly, I will take the case of Shri Ratnakar which was also mentioned by Prof. Kapse. C.B.I. had found irregularities in his case in December, 1988. But nothing happened during the next three years. This person went on to found the infamous FFSL. No action was taken from 1988 to 1992.

There are many examples one can go on and on. But the fact remains that it is the responsibility not only of this Government but many Governments before that and we will have to hold all of them responsible.

Over the last 45 years, the task of governance has become very complex.

The volume of transactions in the economy has increased manifold. Our system, which has remained antiquated, is bursting at the seams. The moment Dr. Manmohan Singh took over, he set out to reform the system, modernise it and discipline the system. But first there was the fire-fighting operation of the balance of payments crisis. The scam was a very complex affair. It was not easy to detect. If it could not be stopped during previous six years, how do you expect Dr. Manmohan Singh to stop it within a matter of days?

The alleged volatility of stock market should have been seen as a sign that something was wrong. That is the main contention of the report. We have to see the casual relationship between the transactions in the banking sector which are monitored by R.B.I. That was the cause. What was the effect? The effect was overheating of the stock market which was controlled by S.E.B.I.

Now, only after the S.E.B.I. was empowered by Dr. Manmohan Singh that S.E.B.I. started looking at the stock market seriously, regulating brokers, coordinating with R.B.I., looking at transactions of particular brokers like Harshad Mehta and only during this interaction that the real culprits were found out and the scam surfaced.

I will now come to paragraph 16.8, the most contentious paragraph which states that the Ministry of Finance has failed in five areas. I will not recount those five areas. I quote from it:

"Given the various methods of information and control that were available to them..."

What are these methods of information and control? What is the relationship between the Finance Minister and

the Ministry of Finance and R.B.I. and Banks which it is to supervise? The Banking Regulation Act of 1949 gave an exclusive responsibility for regulation, supervision and control of the entire banking system including public, private and foreign banks to the R.B.I. The R.B.I., constituted under the R.B.I. Act, is an independent statutory authority. There is no separate mechanism with the Government to supervise the functioning of R.B.I. as has been very clearly brought out in paragraph 16.3.

I quote:

"Between RBI and the Government, there is intense consultation on all matters of policy between the Governor of the RBI and the MOF. Policy matters are discussed and there is a continuous interaction both in writing and as well as orally."

Further, para 16.5 says that there is regular flow of information between RBI and MOF. What is the kind of information? It consists of annual report of the RBI containing balance sheets of the entire banking system, weekly statement of aggregate advances and deposits, Annual Financial Review of public sector banks. This is the type of communication which takes place between the RBI and the MOF. How does the Ministry of Finance interact with RBI? It interacts through the Banking Division. This interaction is limited as described in para 16.6, limited to appointments, monitoring developmental role, watching priority sector credits, to undertake review of private sector banks and servicing of Parliament. That is what the Banking Division does.

If you look at the JPC para 16.8, while pointing out MOF failures, it refers to various methods of information and

[Shri Prithviraj D. Chavan]

controls which are limited to annual reports, weekly aggregates and balance sheets, appointments and credit watch and servicing Parliament. What kind of control can be exercised with this kind of information? How can one expect the Finance Minister sitting in the North Block office to detect a rogue bank entering into an illegal transaction with a crooked broker.

JPC has put in tremendous efforts— 96 meetings over a period of 18 months. We congratulate them. But JPC was not a judicial tribunal and its report is not a judicial pronouncement. JPC was a political body. Perhaps the enormity of the crime, experience of the previous such JPC weighed heavily on the minds of the Members to work for a contrived unanimity. Perhaps unanimity became an end in itself, resulting in "scars of compromise". It is in this light that JPC's remarks on Constitutional jurisprudence, ministerial accountability and constructive responsibility, will have to be considered in all seriousness. The House will sooner or later have to come to terms on the delicate differences between the Ministry and the Minister. Using this term interchangeably would be dangerous, as hon. Shri Buta Singh has said. We will also have to differentiate between the Commission of Inquiry and the parliamentary committee. I wish that the Opposition Leaders and the legal luminaries who spoke before could have contributed to this debate. Unfortunately they were pre-occupied with running down the Government's economic policy.

Sir, if the Minister is called upon to resign every time when C. & A.G. audit or COPU report makes some adverse comments about a junior officer, or if a small rail or air accident occurs, I am afraid the

parliamentary democracy cannot function. No Minister will allow the public sector undertakings to function independently. The autonomy will not be there. The Congress Party and the Prime Minister are serious about scam investigations. It is clear, we accepted the JPC demand though we need not have. We allowed the JPC to submit a unanimous report which necessarily meant compromises. We could have asked the Congress Members to vote out unacceptable points.

SHRI SOMNATH CHATTERJEE (Bolapur): To what extent, Parliament will be denigrated by these Congress Members? There is a limit to this. He says, they have allowed the JPC to submit a unanimous report. What does it mean?

This is nothing but denigrating Parliament.

SHRI PRITHVIRAJ D. CHAVAN: We are not denigrated. What I meant was, we could have issued a whip to the Members.

SHRI SOMNATH CHATTERJEE: That would be a breach of privilege.

SHRI PRITHVIRAJ D. CHAVAN: Sir, we are more serious about the credibility of our democratic institutions about reforming and modernising our antiquated financial sector, the regulatory mechanism. We are very keen to project a new image of a mature Indian democracy and a robust economy, capable of withstanding shocks. Therefore, Sir, I come back to my original concern.

Can it happen again? Will the resignation of Dr. Manmohan Singh, the one man who has found out the Scam, guarantee that such a thing will never happen again?

With all humility, I request Dr. Manmohan Singh and the Opposition, not to press the resignation.

SHRI GUMAN MAL LODHA (Pali): Hon. Speaker, Sir, we have been debating the JPC report for two days now and almost all hon. Members of the House except one have appreciated and felicitated the hon. Chairman and Members of the Committee for this wonderful, marvellous and excellent work which they (Mr. Mirdha and 29 other MPs) have done in making massive inquiry and research and finding out the truth and culprits and the major participants and lapses in the security scam.

It is unfortunate that Hon'ble Member from Jalore even on this score, has dissented and tried to condemn the report, even to the extent of saying that it was under pressure. It was on account of some sort of what he called *Mili Bagat*—some words which, according to me, are in very bad taste and should not have been used.

MR. SPEAKER: I think it is not necessary to say all those things because as far as my understanding and the understanding of the House is concerned, that was not the connotation.

SHRI GUMAN MAL LODHA: These were the actual words used.

MR. SPEAKER: No please.

SHRI GUMAN MAL LODHA: Your Honour was hearing all these words and did not expunge them at that time.

MR. SPEAKER: My ruling is that the connotation that is put on what Shri Buta Singhji said is not that and you should not repeat it again.

SHRI GUMAN MAL LODHA: I am concerned at the manner in which the report was treated and condemned by him. I do not know whether he did it to settle some old scores with the Chairman, Shri Mirdha or on account of his trying to exhibit that he is more pious than the POPE himself. But, in fact, there is unanimity in the House that this report is a unanimous commendable report. I would not go into the necessities on that point. But I submit that the fact that some notes have been appended thereto is irrelevant for the purpose. The basic fact remains that the hon. Members of the Treasury Benches have agreed and signed the main report of 322 pages yet the unanimity of the report is being challenged. Shri Mani Shankar Aiyar, Shri Kamal Chaudhary, Shri Murli Deora, Shri M.O.H. Farooq, Shri Sriballav Panigrahi, Shri Shravan Kumar Patel, Shri S.S. Ahluwalia, Shri Jagesh Desai, Shri H. Hanumanthappa and Shri Ram Naresh Yadav, are all Congress (I) signatories to the principal report. They have given a small note but not on the principal points and on the main points which have been adjudicated by the Committee.

So, I would submit that on the question of constitutional responsibility of the hon. Minister, it is not a question of Finance Minister or Petroleum Minister or Railway Minister or the hon. Prime Minister or the Minister for Power or others only. It is a question as a whole. The Minister has the responsibility for the omissions and commissions which are major ones and which have resulted in defrauding the poor people of their whole life's savings, gratuity, Provident Funds and Pension, the small savings, the money of the widows, the money of the farmers, the labourers, the petty shopkeepers all that money was pooled into the Stock Exchanges on account of the appreciation which was artificially created by Scam master Harshad Mehta and oth-

[Shri Guman Mal Lodha]

ers. Shri Chidambaram forgot them and had crocodile tears for poverty, which they created for 40 years. It is that concern that we have got. On that point, I would submit that the constitutional responsibility of the Ministers as a whole—I would not point out one or two or choose a single one—cannot be denied. This is what all these Constitution makers have said. All these founding fathers have said so in so many terms. It is very clear.

The sole defence which is sought to be made here by the hon. Members on the Treasury Benches one after the other is that this was the failure of the system. Did the "ROBOTS" managed the system? I may ask, Sir. They said that there were administrative lapses. All that they have said is that constitutional or moral liability can be fastened; there was no moral turpitude; there was no culpable omission or commission. I would like to say that the report has taken this defence into consideration and subjected it. This defence of the hon. Minister finds a place in so many words in this Report itself, where his written reply is quoted.

Sir, the Committee, after application of its mind to all relevant things, to the relevant parliamentary system, the constitutional position, has said in so many words which are very important. I would like to seek your permission to mention only paras 16.61 to 16.63 which are relevant to this point and that clinches the issue as a whole because all the speeches which have been made by Chidambaram, Khurshid Salman, Bansal, Mukherjee, etc. the hon. Members on the Treasury Benches have been harping on this point. Some of them even came to the Finance Minister's defence without reading the adjudication and findings of the Commit-

tee. I would like to read the relevant portion which says:

Para 16.61 (a) to (e)

- (f) "The Committee strongly feel that in view of their conduct and activities in the Scam, the working of foreign banks has to be strictly supervised. In a way, they have been the initiators of the Scam as well as the major players."

Finally, the finding is:

"In the light of the above, the Committee feel that the responsibility and accountability of the FM to Parliament cannot be denied."

It is not the Ministry, as the hon. Member Shri Buta Singh was saying that the Ministry is being rapped for the Minister. The Committee has taken pains to destroy the distinction between the Ministry and the Minister. They said that this distinction which is sought to be drawn by the Finance Minister cannot be upheld. Now, I quote para 16.62 which says:

"The FM has raised a point to which the Committee feel it should react. In his written submission the Minister has stated...."

I am now quoting the written reply of the Finance Minister which has been echoed virtually in a form of a chorus by all the Members who have spoken from the Treasury Benches. Para 16.62 says:

"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. However, FM cannot be held responsible for administrative failures or management deficiencies in the case of individual banks and other financial institutions." (*emphasis added*)

15.59 hrs

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

This very defence has been put forth by four of the hon. Members yesterday. The finding of the Committee is very important. It says:

[Page 223 Para 16.62]

"The Committee feels that such a distinction cannot be sustained by the constitutional jurisprudence under which the parliamentary system works."

16.00 hrs.

With your permission, I would repeat this finding of the Committee because this is the back-bone, this is the bedrock, this is the fundamental finding according to which all the Ministers are responsible irrespective of whether their liability is less or more. This finding is again substantiated further in para 16.63. It says:

"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."

I do not say that these findings of the Joint Committee are binding on the House. It is for the august House to accept them or to challenge them. But giving the same arguments, those very arguments, those very submissions which were made way back... and rejected, is only putting old wine in new bottle. (*Interruptions*)

SHRI AYUB KHAN (Jhunjhunu): This is not a finding. This is an opinion.

SHRI GUMAN MAL LODHA: This is not binding. I am saying that this is not binding. It is for you to decide. The hon. Prime Minister can stand up and say that he wants to throw it in the dustbin. If he wants to degrade the parliamentary system, if he wants to undo all the precedents of the parliamentary democracy, if he wants to burn the Constitution under which we are functioning, then it is for him to do so. Nobody can stop him. Who can stop him? If he wants to have the suicide of the parliamentary system, it is for him to do so. But nothing of that sort would be permissible, by people 80 crore people.

I would say that way back at the time when the Mundra Scandal came to surface in fifties, a similar situation had arisen and the Chagla Commission was appointed to enquire into it. All these submissions which had been made during the 18 last hours of yesterday and today saying that the Finance Minister is honest, that he is innocent, that his integrity is not at all questionable, that he had no direct knowledge, they were all made then also, in favour of F.M., Shri T.T.K; Even the tallest politician of all times. Pandit Jawaharlal Nehru wrote a letter to Shri TTK. I would quote a portion from the letter

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which was written by the then prime Minister Pandit Jawaharlal Nehru to Shri TTK. It says:

"So far as you are concerned, I am most convinced that your part in the matter was the smallest and that you did not even know what was done."

Now this is the letter which was written by Pandit Jawaharlal Nehru. In spite of that when the matter came in the Parliament, the august House, it was said that the Chagla Commission's Report directly exposes about the Mundra Scandal in which only one crore and a few lakhs worth of shares of Mundra Company were purchased by the Life Insurance Corporation. But that was in a very small scale. It was Shri Feroz Gandhi's speech. I may not re-produce it to save the time of the House. I would like to say that that Scandal resulted in the resignation of Shri TTK, who also depended himself on the ground of his economic policies having angered "man eaters" vested interest. "Shri TTK said"

(Page 293/18-2-58).

"I can say as first victim to those interested in the furtherance and fulfilment of past economic policies is that they should realise that the man eater is at large."

I would also like to read what Nehruji said in Parliament. When these questions were raised, the same old pretext, the same old excuse, the same old apology, the same old 'alibi' was raised at that time because the accused in the criminal jurisprudence mostly take a plea or 'alibi' whenever they are caught.

The same diversion to economic policies. As Khursid called "night mare" of opposition, TTK called it "MANEATER" Pandit Nehruji said, when there are questions relating to ministerial responsibilities and like questions," I am quoting from the Parliamentary Reports of the 19th February, 1958, page 1508.

"They are important. Of course, they are hardly within the purview of the Inquiry Commission; they are really for Parliament to determine and usually such questions are matters of convention. I do not propose to go into this matter here except to say that we accept the broad principle of ministerial responsibility. But to say that the Minister is always responsible for all the actions of the officers working under him may take this much too far. May I say that this inquiry had obviously nothing to do with the broad principles of the policy of the Government."

Sir, kindly note what Pandit Nehru said in his letter and his defence in Parliament. Here, our present Prime Minister has not chosen to come and defend any of the Ministers. He has not chosen to be present here for the purpose of listening to the onslaught or the criticism or the points which are being made from this side. But, at that time, Pandit Nehru attended to it. *(Interruptions).*

SHRI MRUTYUNJAYA NAYAK (Phulbani): You are repeating it. Yesterday, Shri Vajpayee has already said this. He had made a reference to Panditji also while the Prime Minister was present. You are only repeating it.

SHRI GUMAN MAL LODHA: If some point has to be emphasised, the repetition also becomes essential. Five of

the speakers from the Treasury Benches did nothing else except saying that Shri Manmohan Singh is a holy cow. I do not dispute that, but even if he is a holy cow.....

MR. CHAIRMAN: Please do not use such words.

SHRI GUMAN MAL LODHA: Holy cow is a good word. If you want to expunge it, I have got no problem. This is what it comes to.

MR. CHAIRMAN: You are doing very well. Please continue with your arguments.

SHRI GUMAN MAL LODHA: Sir, I was only commenting; this morning, Shri Ram Vilas Paswan raised a point that the "*neel gai*" destroyed the entire agricultural produce of the farmers. If at all he is a cow is there, it is not a holy cow, but it is a *neel gai*, which is called as 'ROSE', which has destroyed the entire agricultural produce of the farmers by DUNKEL patents and robbed the poor by scam.

Sir, I want to refer to the House of Commons' debate about ministerial responsibility. I would not do better than quoting to save the time. This House of Commons' debate was dated 20th July, 1954. There, Sir, a similar situation arose.

MR. CHAIRMAN: Please give the gist only and do not read the whole thing.

SHRI GUMAN MAL LODHA: Only four or five sentences are relevant. A similar situation arose there and Sir T. Dugdale was the concerned Minister for Agriculture who had to resign on account of some omissions or commissions of his department. A similar point was raised that he was indispensable, that he was required for their minister and that there

was nobody to replace him. Sir, I would read a few lines from page 1192.

"The Government have given further consideration to the future of the land at Crichel Down. I have already explained to the House how I reached the decision in 1952 that, on agricultural grounds and with proper regard for financial considerations, the right course was to equip the land as one farm."

Now, I would not go into the details. And ultimately in the last paragraph, he says "I have nearly finished." He gave a long explanation as Shri Prameshwar Thakur has given or as our hon. Finance Minister or Petroleum Minister may give now. Then he says:

"I have nearly finished. I have tried to accomplish my duty to the House, which was to give an accurate account of the history of the Crichel Down case. I have told the House of the action which has been taken, and which will be taken, in the design to make a recurrence of the present case impossible.

That is precisely why we are saying that steps should be taken. Then he says:

"I have announced changes which the Government intend to make in land transaction procedure. I have told the House of the offer of resale of the Crichel Down land under certain conditions. I have no regrets at having ordered a public inquiry, for I am certain that good will come out of it."

Even before the inquiry started, he says this:

"....I have been able to get well un-

[Shri Guman Mal Lodha]

der way the action necessary following Sir Andrew Clark's Report.

Having now had this opportunity of rendering account to Parliament of the actions which I thought fit to take,..."

Now, the golden words are coming:

"...which I thought fit to take, I have, as the Minister responsible during this period, tendered my resignation to the Prime Minister, who is submitting it to the Queen."

It is not like our situation where the resignation is submitted and then, for days and days together, speculation goes on; following that, pressure is put—some persons put the pressure—and lobbies are created. Now, I would quote the indispensability of the Agriculture Minister which was then said here; Mr. George Brown says this and I would only read one sentence:

"The last sentence of the right hon. Gentleman's speech obviously makes this moment—as it must for those who have known him longer than I have, I have known him for ten years a very uncomfortable one. I have had occasion to speak to the right hon. Gentleman from this Box in recent months a little roughly at times, perhaps, for a younger man to an older man, but I have said repeatedly—I said it in the country last Friday and perhaps, I may repeat it now to hon. and right hon. Gentlemen opposite—that the Government will have difficulty..."

Kindly note this and this is what I

also want to say:

"...will have difficulty in finding from their own benches a Minister of Agriculture who will be as good for their purposes as the right hon. Gentleman has been".

After giving these compliments, the resignation was accepted and the entire House said that it was the parliamentary democratic value on account of which the acceptance should be done. This is the tradition in the House of Commons.

I have also mentioned the traditions of ours in the scandal of Mundhra. Sir, you may also recall that Mundhra scandal is not the only one scandal. The Chief Minister of Punjab, Shri Pratap Singh Kairon had to resign; Shri Bakshi Ghulam Mohammed of Jammu & Kashmir had to resign; and three successive Chief Ministers of Maharashtra had either resigned or were to be sacked. These are all the events, of recent times, capped by Lal Bahadur Shastri of the golden ages, when he resigned for train accident for fault of Station Master of Railways.

Just now, it was said that in no other Government, it had happened. It had happened elsewhere, Sir. The report of Kuldip Singh in the matter of Mr. Hegde of Karnataka also, led to his exit. The same thing as also the reports of various others. Mr. K.D. Malaviya in the Serajuddin scandal had to go, where he had no direct hand. All that he said was this:

"I asked this firm to pay Rs. 10,000/- for election purposes to someone"

So Mr. K.D. Malaviya had to go. These are the constitutional responsibilities and accountability. When we talk of it,

we should always remember what our founding fathers of the Constitution, the great people said in Article 75 of the Constitution. They had articulated and enacted a provision to set at rest this controversy. It says:

"The Council and Ministers shall be collectively responsible to the House of the People."

Their responsibility to this august House is this; and the hon. Prime Minister, at the time of appointing this MIRDHA Committee has clearly said that he wanted to establish it in the interest of parliamentary supremacy. Therefore, he constituted a Joint Parliamentary Committee. Are the Report and the inquiry under the Commission of Inquiry Act on a much higher footing? I was pained and I was very much concerned when the hon. Minister Mr. Mukherjee today in his arguments—after quite a long time—debated on this point. He said that Chagla's report was under the Commission of Inquiry Act. Commission of Inquiry Act is a Statute created by the Parliament. When the entire Parliament, the hon. Prime Minister and at his request, the hon. Speaker constitute a Committee, a Joint Parliamentary Committee of hon. Members of all the parties, it stands on a very very high pedestal, in comparison to Chagla Commission the latter report was to Govt. and not to Parliament.

That being so, it is not proper to say here in a lighthearted way that there are certain omissions and commissions in the Mirdha Report and hence the Report should be discarded.

MR. CHAIRMAN: Please conclude.

SHRI GUMAN MAL LODHA: Sir, I pray for some more time. I am not narrating stories like my friend Shri Buta Singh

who was telling about postmasters and so on. I am only stating the hard-hitting facts contained in this Report. One of the hon. Members from the Treasury Benches has said that unless there is moral turpitude, there is no need to resign. May I ask him to find out what the Committee says? The Committee says that the scam is basically a deliberate and criminal misuse of public funds.

Para 2.7 (page 7) reads:

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

There is "deliberate and criminal misuse of public funds".

There is misfeasance and misconduct and misappropriation. And guilty intention MENS REA is also there. Is not deliberate and criminal misuse of public funds tantamount to moral turpitude? When they use the words 'deliberate and criminal misuse of public funds', I am yet to find some definition somewhere as to what it means otherwise. There was a deliberate and criminal misuse of funds to the extent of Rs. 36,000 crore which were disinvested from the public utility concerns and an amount to the extent of Rs. 8,300 crore from banks and financial institutions. Can it still be said technical omission or a commission? Or is it misfeasance or misappropriation or malfeasance... (*Interruptions*)

[*Translation*]

SHRI MRUTYUNJAYA NAYAK: Who misappropriated so much money of the primary school?

[English]

SHRI GUMAN MAL LODHA: In this very paragraph it is stated that there is also some evidence of some big industrial houses playing an important role because of which the economy of the country had to suffer. And while some gained, thousands and millions and crores of investors lost their savings. It is the concern for these thousands and millions and crores of investors and depositors who have lost their life savings, which should be the main topic for discussion and the main cause of anxiety to all of us. But instead of that, here sermons are being preached on abstract poverty and it is being said that a true philosophy now after 40 years of failure of socialism has at last emerged in liberalisation which will wipe out the tears from the eyes of millions and millions of people. Sir, we have been hearing such sermons for the last forty years or more. It was Late Pandit Jawaharlal Nehru who first talked about wiping of the tears from the eyes of every person in the country by socialist pattern of society. He said that that was their first objective but the poverty increased. Then Late Shrimati Indira Gandhi said the same thing. She said that a new policy of socialism by 42nd Amendment enunciated by her Government would open the gates for prosperity and that the new policy would eradicate poverty but it happened otherwise. And now, we hear that concern for poverty in opening to multinational capitalism and that too from Shri Chidambaram who himself is involved in the scam scandal. He is found to have taken Promoters' shares of Rs. 1000/- for Rs. 10/- only. (Interruptions)

MR. CHAIRMAN: No please. You cannot make allegations. That will not go on record.

SHRI GUMAN MAL LODHA:
(Interruptions)*....

MR. CHAIRMAN: You please conclude.

SHRI GUMAN MAL LODHA: Sir, this is a very serious matter. It is not a secret that he has resigned on this particular point of favour of Promoters' Shares. It is also a fact that the Prime Minister had accepted his resignation. Only Mr. Manmohan Singh's resignation has not yet been accepted. But Shri Chidambaram's resignation was a *fait accompli*. He has resigned on account of purchasing promoters' shares in Rs. 10/- each, which were being quoted in thousands in stock market. (Interruptions)

MR. CHAIRMAN: Please don't go into all those aspects. There are so many other points on which you can speak. Don't make allegations.

SHRI GUMAN MAL LODHA: Can I read from the Report Sir?

In paragraph 14.55 of this JPC report, it would be found that both these Ministers Chidambaram and Khursheed who tried to defend F.M. have been held up for their own Commerce ministerial responsibility for disinvestment of huge funds in STC and MMTC. The findings in the report, are—"The Committee noted that in the case of PSUs like STC, MMTC, OIL, funds were invested without instructions how to invest them." They did not defend them. Yesterday, they spoke of poverty and political philosophy making wild attacks against BJP and leftists and off-side kicks against the Opposition as a whole, as they could not make any direct score. Now they have to reply to this, as

* Not recorded.

to STC and MMTC funds swindling.
(Interruptions)

KUMARI MAMATA BANERJEE
(Calcutta South): Sir, I am on a point of order.

SHRI GUMAN MAL LODHA: Sir, I am not yielding.

MR. CHAIRMAN: She is on a point of order. Let us hear her. What is your point of order?

KUMARI MAMATA BANERJEE:
Sir, I seek your protection. No woman MP is allowed to take part in this discussion. So, I request you to allow the women MPs to participate in this debate.

MR. CHAIRMAN: Your point of order is over ruled. You meet your party whip.

(Interruptions)* ...

MR. CHAIRMAN: This is not going on record. You contact your party whip.

SHRI GUMAN MAL LODHA: I would like to mention only few points here. I would be happy if the hon. Ministers here or the Prime Minister intends to appear to give a reply to these points. Firstly, in the beginning of the proceedings of the House today one of the very respected hon. Members and former Chief Minister of Bihar, Shri Ghafoor said that it has come out that the Finance Minister had a meeting at his house**... This is one question and it is for them to reply, Sir, ...(Interruptions)... I am not yielding. (Interruptions)

THE MINISTER OF FINANCE
(SHRI MANMOHAN SINGH): I categorically deny it.

MR. CHAIRMAN: No allegations like that please. The rule does not permit it.

(Interruptions)

SHRI GUMAN MAL LODHA: I want to know whether he met him on that particular day and**... (Interruptions)

SHRI A. CHARLES: Sir, we object to this sort of allegation. It cannot be allowed. (Interruptions)

SHRI GUMAN MAL LODHA: It is not a new thing; it has already come out in the papers and speech of Shri Ghafoor I am pointedly asking the Finance Minister to reply**... (Interruptions)

MR. CHAIRMAN: Please sit down. You cannot cast any aspersions on anybody like that. This will not go on record.

(Interruptions)

SHRI MANMOHAN SINGH: This is the fascist mentality of the BJP!

PROF. P.J. KURIEN (Mavelikara): For making personal allegations, the hon. Member should have taken the prior permission of the hon. Speaker. Has he taken the permission Sir? Personal allegations of incriminating nature cannot be made here without the prior permission of the hon. Speaker. So, I request the hon. Chairman to expunge the remarks made by the hon. Member and also direct him to tender an unconditional apology. (Interruptions)

* Not recorded

** Expunged as ordered by the Chair.

MR. CHAIRMAN: The hon. Minister is trying to say something. Please listen to him.

SHRI MANMOHAN SINGH: Mr. Chairman Sir, I have heard and read what fascism is. But I have seen it today. A totally unsubstantiated and unmitigated untruth has been uttered by hon. Member. I challenge him to substantiate it. If he can prove what he is saying, I will retire from public life. If he cannot substantiate it, he should do the same.

SHRI MRUTYUNJAYA NAYAK: Accept the challenge. *(Interruptions)*

SHRI GUMAN MAL LODHA: This is not a new allegation. This has been made on the floor of the House only today morning, by Shri Abdul Ghafoor, former C.M., Bihar.

MR. CHAIRMAN: The hon. Member has said that you should not make any allegations unless you give a prior notice to the hon. Speaker. I have already given a ruling that those allegations will not form part of the proceedings.

(Interruptions)

SHRI GUMAN MAL LODHA: It was made in the morning also. *(Interruptions)*

[Translation]

SHRI ATAL BIHARI VAJPAYEE (Lucknow): Mr. Chairman, Sir, I am on a point of order....*(Interruptions)*.... you made a mention of rules,....*(Interruptions)* ...according to the rules, if an allegation is to be made against a Minister, notice in this regard should be given to the Hon. Speaker in writing. This rule has its own importance and generally we follow this rule. But the context of today's discussion is quite different. In that discussion the

Finance Minister is the focus of attention. What Mr. Lodha said, was earlier said by Mr. Ghafoor also. The Minister, at that time did not contradict... *(Interruptions)*

SHRI MURLI DEORA (Bombay South): Mr. Ghafoor did not say anything in this regard.

SHRI GUMAN MAL LODHA: Mr. Ghafoor said about it in the morning¹.

[English]

SHRI MANMOHAN SINGH: I challenge Shri Ghafoor also on the floor of the House. If he can substantiate his charge, I will retire from public life. If he cannot prove it, then he should do so.

[Translation]

SHRI ATAL BIHARI VAJPAYEE: Mr. Chairman, Sir, this allegation was made and the Finance Minister has refuted the allegation. This matter should end now. But it does not behove Mr. Manmohan Singh to say that this is fascism and we are witnessing manifestation of fascism... *(Interruptions)*..

[English]

MR. CHAIRMAN: You please sit down. Nothing will go on record.

*(Interruptions)**

MR. CHAIRMAN: When the Chairman is on his legs, you should sit down. You have no respect for the Chair.

(Interruptions)

MR. CHAIRMAN: I have given my ruling that whatever Shri Lodha has said, will not form part of the proceeding.

* Not recorded

SHRI ATAL BIHARI VAJPAYEE: In that case, how can the challenge given by the Finance Minister go on record? Both should go on record. (*Interruptions*)

[*Translation*]

AGRICULTURE MINISTER (SHRI BALRAM JAKHAR): Mr. Chairman, Sir, they talk of decorum and cross the limits of decorum themselves. After all there is a limit to everything.. (*Interruptions*)

SHRI ABDUL GHAFOOR (Gopalganj): I got the opportunity to listen to speeches of every one. I listened attentively when they were saying that... (*Interruptions*)... It seems India will be doomed if Mr. Manmohan Singh resigns from the office of Finance Minister. I would like to remind a sentence.... (*Interruptions*)

[*English*]

SHRI AYUB KHAN (Jhunjhunu): You cannot speak on this. (*Interruptions*)

SHRI CHANDRA SHEKHAR (Ballia): Mr. Chairman. Sir, things are going beyond a point. I can understand a certain amount of heat. But, is it the position that nobody can say a word about Shri Manmohan Singh? In this House itself, it was told yesterday—I was not present here—that after 5000 years a person has been born in this country who is bringing hope to the poor people. You are not destroying the history of 40 years of independence, you are destroying the history of 5000 years of culture and civilization of this country. Nobody from this side...

DR. KARTIKESWAR PATRA (Balasore): Sir, I have a point of order.

SHRI CHANDRA SHEKHAR: I am not yielding. There is no point of order.

SHRI MURLI DEORA: You have become the Speaker.

SHRI CHANDRA SHEKHAR: Yes, sometimes I have to be the Speaker. It is not that anyone can stand up and raise a point of order.

Mr. Chairman, Sir, I can also stand for five hours like that. I have faced much more boisterous people and much greater flatterers than I see today.

I am not to be cowed down by them. I am only saying that nobody's conscience was pricked yesterday when this was told that after 5000 years one person has come to bring El Dorado to the country. Not one Congressman objected to this.

MR. CHAIRMAN: What is your point? What do you want to say?

SHRI CHANDRA SHEKHAR: Sir, you have allowed the Finance Minister to give a challenge to Shri Ghafoor. He is now rising to say his point. Nobody can deny him this right to reply back to the Finance Minister, who has given a challenge to Shri Ghafoor and to Shri Lodha. It is your duty and responsibility to see that Shri Ghafoor has his say.

SHRI KAMAL CHAUDHARY (Hoshiarpur): Sir, it is very unfortunate that a leader of the Opposition has to get up to defend one of the defaulters for making unfounded allegations on the floor of the House. It is very unfortunate, Sir.

SHRI MRUTYUNJAYA NAYAK: Sir, I have one submission to make.

MR. CHAIRMAN: No, you may please sit down. (*Interruptions*)

SHRI CHANDRA SHEKHAR: Sir, if Shri Ghafoor is not allowed to speak the House will not proceed. (*Interruptions*)

[*Translation*]

SHRI ABDUL GHAFUOR: This discussion is taking place on the report of JPC. The meaning of the word scam was previously unknown to us but now even a child knows about it. (*Interruptions*)

I would like to describe one incident. One day, when Shri Manmohan Singh was passing through the Lobby of the House, I stopped him and asked to take some action against the, Bank of Credit and Commerce because some of our politicians have also involved in such cases. The reply given by him at that time gave me indications that he would do nothing in this regard. Can you imagine about his reply? He said that our relations with Saudi Arabia, Dubai and other countries would deteriorate. But America took action against the same Bank.

SHRI AYUB KHAN: Why America took actions against it?

SHRI ABDUL GHAFUOR: America took action against it for its involvement in the scam. Similarly to this one... (*Interruptions*) A CDBT officer told that he was asked to come at 1.30 p.m.

SHRI AYUB KHAN: He must have used the word 'perhaps'.

SHRI ABDUL GHAFUOR: You may be right. He was asked as to why he conducted a raid against Harshad Mehta.

Not only this, my colleague Rameshwar Thakur was asking that what

was in that file, why it was submitted. As Thakur Saheb has said, Manmohan Singh did not write any remark on it, it was a routine matter. All right if it is a routine scam, involving routine matter, then it will continue and neither the Minister nor Finance Minister or Rameshwar Thakur will be held responsible for it. He had referred my name and therefore I had to put the record straight otherwise this situation would not have been arisen. (*Interruptions*)

I was thinking, since the morning whether one can do anything while being a Member of this House or not. May be Mr. Chairman, Sir, you give me one day's time. I will tender my resignation tomorrow. I am saying it in the House that next election will be contested on this very issue as to whether Shri Manmohan Singh or the Prime Minister is responsible for the deeds of the Members of the Cabinet or not? If they do not have any responsibility then we are ready.

[*English*]

I am prepared to resign from this House. I will take up this challenge.

SHRI BALRAM JAKHAR: This is absolutely wrong (*Interruptions*)

[*Translation*]

SHRI NITISH KUMAR (Barh): Will Shri Manmohan Singh accept this challenge and contest election from Goplaganj... (*Interruptions*)

[*English*]

MR. CHAIRMAN: Nothing will go on record.

(Interruptions)*

[English]

[Translation]

SHRI GUMAN MAL LODHA: My friend Shri Ghafoor has given a challenge.

(Interruptions)

[English]

MR. CHAIRMAN: Mr. Nitish Kumar, you please sit down. Please do not disturb the proceedings. He will reply at appropriate time. (Interruptions)

SHRI GUMAN MAL LODHA: Sir, I accept the challenge of Shri Manmohan Singh. I would resign from my seat, he should resign from his seat and contest from wherever he likes. My resignation would be given by this evening. If he likes, let both resignations be accepted by the Prime Minister. Let the Prime Minister re-order the poll on the issue of responsibility for scam of F.M. I am prepared to do that. These scandals are going on one after another.

I am reading now the video interview of Shri Bhardwaj. Law Minister proving that Shri Harshad Mehta gave money to Ministers. (Interruptions)

This *chara* machine scandal also Bofors Scandal, H.W.D. Scandal, O.N.G.C. Scandal, Westland Helicopter Scandal, Jeep Scandal and several others. (Interruptions)

[Translation]

SHRI NITISH KUMAR: Shri Manmohan Singh is giving the challenge to the whole world. (Interruptions)

SHRI A. CHARLES (Trivendrum): I am on a point of order, Sir. He is quoting from an unauthenticated document. I would like to know whether the document has been authenticated or not. (Interruptions)

SHRI GUMAN MAL LODHA: This is a parliamentary debate of Lok Sabha dated 27.7.93 mentioning Bhardwaj's interview of NANDINI for T.V. Programme. (Interruptions)

SHRI A.CHARLES: He was reading from some newspaper and not from the debate. (Interruptions)

SHRI GUMAN MAL LODHA: Kindly protect me, Sir. I am unfolding one after the other scandals.

[Translation]

This is not such an ordinary case. Our hon. Leader Shri Vajpayee Ji read out the interview of Shri Bhardwaj on 27th July 1993. (Interruptions)

I quote Nandini:

[English]

"Do you not feel that this has somehow blurted the morale of your Party's position on corruption in the high office?"

What about the scam; how many of your Ministers are there? I know personally, several people who used to roam about and flaunt around with Krishnamurthy,

[Shri Guman Mal Lodha]

Chaturvedi and this Harshad Mehta. He was in everybody's bedroom. Fortunately, I was Minister of Planning, otherwise, he would have come to my house also. He gave lot of money to the people, political people." (*Interruptions*)

MR. CHAIRMAN: What is that you are reading?

(*Interruptions*)

SHRI GUMAN MAL LODHA: Permit me to say. You have to permit me to complete it. It was the Minister, Shri Bhardwaj, saying about all the Ministers in video interview to Nandini for T.V. programme of Ministers for Pratish Nandi Show. (*Interruptions*)

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): I would like to know what Shri Lodha is reading out and mentioning, that it has been said by Shri Bhardwaj on the floor of the House... (*Interruptions*).. You have just now said what Shri Atal Bihari Vajpayee has said.

SHRI GUMAN MAL LODHA: Yes. This is what Shri Bhardwaj has said in an interview with Pratish Nandi Show quoted by respected Hon'ble Leader of the opposition on the floor of Lok Sabha.

SHRI MUKUL WASNIK: Do you say that Shri Bhardwaj has said this on the floor of the House?

SHRI GUMAN MAL LODHA: No.

Try to listen. Listen with rapt attention. It was for T.V. Interview for Pratish Nandi Show.

SHRI MUKUL WASNIK: I can listen properly if you speak and not if you shout. (*Interruptions*)

MR. CHAIRMAN: Please conclude.

(*Interruptions*)

SHRI GUMAN MAL LODHA: Sir, I am not yielding to such interruption shouting brigades.

SHRI BALRAM JAKHAR: Is hearsay an evidence? (*Interruptions*)

[*Translation*]

AN HON. MEMBER: The fodder machine... (*Interruptions*)

SHRI BALRAM JAKHAR: Earning money through such means is not a good thing. Just quote one person who says that I have done such thing then you may punish me. I am not of that type. I believe in earning my bread by the dint of hard working labour. I hate Haramkhori. (*Interruptions*)

[*English*]

SHRI GUMAN MAL LODHA: Let me complete my speech. After that, Shri Jakhar can speak. I am reading the proceedings of this House. Sie, permit me to read the proceedings of the august House, which exposed the scandals one after one and almost all the Ministers are in the dock. He said: "What about scam?" The question is: "How many of your Ministers are there?" The reply of Bhardwaj is: "I know personally, several people who used to roam about and flaunt around

with Mr. Krishnamurthy, Mr. Chaturvedi and Mr. Harshad Mehta. He was in everybody's bed room." All the Ministers were together. Then, Mr. Bhardwaj says: "Unfortunately, I was the Minister of Planning. Otherwise, he would have come to my house also." Then, I would quote one more sentence. He said: "He gave lot of money to the people, political people." He has condemned all the Ministers and this is bold condemnation. I congratulate Bhardwaj for boldness.

I would, therefore, say that the Prime Minister and the entire cabinet should resign in order to clean the public life and establish high morality. *(Interruptions)* We have not said anything against Mr. Bhardwaj. You have no cheek to do anything against Mr. Bhardwaj because he has boldly said the truth. Therefore, I call for resignation of all the Cabinet Ministers, who are involved in this security scam and scandal of multi-thousand crore swindling of public funds, looting and robbing lakhs of poor investors and depositors and tax payees of India.

SHRI RAM NAIK (Bombay North): Mr. Chairman, Sir, I am on a point of order. The hon. Minister, Shri Balram Jakhar has uttered some angry words. While uttering angry words, he has abused also. I request you, Sir, to get the record and expunge whatever is unparliamentary in that. *(Interruptions)*

SHRI BALRAM JAKHAR: I did not abuse anybody. *(Interruptions)*

SHRI RAM NAIK: You have said that there are *haramkhors*. You have also said... *(Interruptions)*

[Translation]

SHRI BALRAM JAKHAR: I just said

that the persons involved in such wrong doing are *Haramkhors*. I openly say that an unscrupulous person is a *Haramkhor*. I can give it in writing that till date I have not done anything like this rather could not have even dreamt of doing so. *(Interruptions)*

[English]

MR. CHAIRMAN: I have not heard. I did not hear that.

SHRI RAM NAIK: I understand that there was a lot of commotion in the House. Sir, when I am speaking with your permission, the Minister is getting up. *(Interruptions)*

MR. CHAIRMAN: Please do not direct the Chair what to do. I know what I have to do.

SHRI RAM NAIK: My request is that whatever unparliamentary words said by the Minister should be expunged.

SHRI BALRAM JAKHAR: I did not utter any unparliamentary word. *(Interruptions)*

[Translation]

I simply said that one who does such acts is not a good person. *(Interruptions)*

[English]

THE MINISTER OF STATE OF THE MINISTRY OF INFORMATION AND BROADCASTING (SHRI K.P. SINGH DEO): Sir, the hon. Member, Shri Guman Mal Lodha was mentioning something, which was a subject matter of controversy. So, I would like to know whether he was quoting from Shri Atal

[Shri K.P. Singh Deo]

Bihari Vajpayee's statement. Shri Vajpayee had quoted this during the No-Confidence Motion and this is something is supposed to have appeared in an interview because the interview carried by Doordarshan did not have any of these dialogues of Mr. Hansraj Bhardwaj. *(Interruptions)*

SHRI INDRAJIT GUPTA (Midnapore): Sir, it is now going to be 5 O'Clock. The proceedings of the House are getting somewhat hot now. Do you not think that, at this stage, when the House is in turmoil—tomorrow the country will be in turmoil—at least, at this moment, the Prime Minister should appear in the House and say something? What is this? Such a major issue is being debated for two days and the Prime Minister do not consider it necessary to come to the House. *(Interruptions)*

SHRI MUKUL WASNIK: All the Cabinet Ministers are here.

SHRI INDRAJIT GUPTA: What kind of attitude is this towards the Parliament? It is the attitude of contempt. He should come here.

[Translation]

SHRI ATAL BIHARI VAJPAYEE: It is not enough that the hon. Prime Minister comes to the House just now. This discussion has been going on for the last two days. We hope that he will reply to this debate. He is not present in the House, but he should have been here this time. Who will reply to this debate? We demand that the Hon. Prime Minister should come to the House and reply to the debate.

[English]

MR. CHAIRMAN: The Prime Minister may be in the Rajya Sabha.

SHRI SOMNATH CHATTERJEE: This Session is being held particularly to discuss the JPC Report. *(Interruptions)*

MR. CHAIRMAN: There also they are discussing the JPC Report. He might be in the Rajya Sabha.

SHRI SOMNATH CHATTERJEE: No question of might be. Please find out. Let the Government respond. What is this going on?

MR. CHAIRMAN: How will we find out? The Minister of Parliamentary Affairs is here.

SHRI SOMNATH CHATTERJEE: We do not have the Prime Minister in this special discussion in the Lok Sabha. We do not know who will reply on behalf of the Prime Minister.

[Translation]

SHRI SHARAD YADAV (Madhepura): This debate is useless, unless the Government announces the time of the Prime Minister's arrival.

[English]

MR. CHAIRMAN: Please do not disturb. The Prime Minister knows his duties.

16.52 hrs.

[MR. SPEAKER *in the Chair.*]

[Translation]

SHRI ATAL BIHARI VAJPAYEE: Mr. Speaker, Sir, we had made a request

to the hon. Chairman before you took over. This is the last day of the session. Two days were specially kept for discussion on this issue. Very important debate has taken place here. We want the hon. Prime Minister to come and reply to this debate. He is not present in this House. If he is busy in the other House, we can sit here for some more time, but this discussion will remain incomplete without the reply of the hon. Prime Minister. Please convey our feelings to the Hon. Prime Minister that the Member of the Opposition as well as the ruling party want to hear him. There cannot be two opinions that the Prime Minister should come here and reply to the debate.

SHRI SHARAD YADAV: The concerned Minister as well as the Parliamentary Affairs Minister are sitting here. We should get a definite reply to this question, otherwise, we feel that the entire debate will become useless. It should be clarified as to when the Prime Minister is coming here. Only then, this debate will be a meaningful debate.

[English]

SHRI SOMNATH CHATTERJEE: Sir, it is a special Session. Everybody has agreed. The Minister of Parliamentary Affairs offered to and agreed with us. This is a very important Report which should be discussed and for which we are sitting here especially during the Christmas week. We have never done it, as far as my knowledge goes. Now, we find that probably the Finance Minister is going to reply on behalf of the Government to this debate. This is not the concern of only the Finance Ministry or the Finance Minister. So many Ministers are involved. The Government itself is under the cloud. Therefore, the only person who can reply on behalf of the Government is the Prime Minister. It is a matter of great importance

and magnitude. Today, there is a complete callous attitude towards this House. Not for a minute the Prime Minister has come here. This is the attitude towards the House. We would like to know what is the position; otherwise there is no point in waiting.

[Translation]

SHRI CHANDRA SHEKHAR: Mr. Speaker, Sir, if any new parliamentary practice has not yet been introduced, then according to the prevalent parliamentary practice, the hon. Prime Minister should be present here. His presence or absence makes no difference to me. But if the Parliamentary practice still exists, then he will respect and follow the advice given by the Leader of the Opposition? Mr. Speaker, Sir, we will be grateful if you direct the Prime Minister to be present in the House.

[English]

SHRI MUKUL WASNIK: Sir, the charges from the Leader of the Opposition that the Government is not paying full seriousness to the debate yesterday and today are not correct and it is not fair. Yesterday, when the debate was initiated by the Leader of the Opposition, the hon. Prime Minister was here and he listened carefully to the Members who participated during that course of time. I would just like to say that throughout yesterday and today, we from the Government, have listened carefully, with full seriousness, to the submissions made by the hon. Members during the course of this debate. As far as the reply to the debate is concerned, we feel that the hon. Finance Minister, Shri Manmohan Singh, is competent enough to reply to the debate. (Interruptions)

SHRI SOMNATH CHATTERJEE (Bolpur): Let us stop this debate. There is

[Shri Somnath Chatterjee]

no point. We have talked it out.
(*Interruptions*)

[*Translation*]

SHRI LAL K. ADVANI (Gandhi Nagar): Mr. Speaker, Sir, you may be remembering that when this question was raised here yesterday, the Leader of the Opposition, Shri Atal Bihari Vajpayee, while starting the debate, had asked about the authenticity of the news-items published in the newspaper about the resignation of the Finance Minister and the response of the Government in that regard? Some other Members had also asked about this.

[*English*]

With due deference to the J.P.C. report he has tendered his resignation. What the Government's response would be to the J.P.C. report depends upon what the Prime Minister is going to do. And, therefore, we would not like to listen to what Dr. Manmohan Singh has to say. He is a Minister who has tendered his resignation already. I presume that that report is correct. What we would like to know is : How is the Prime Minister going to respond to this J.P.C. report? Is his response the same as that of the Finance Minister or does he think that the Finance Minister has done wrong as Shri Chidambaram raised or as our other Ministers think that he should not have resigned at all that there is no need for anyone to accept the responsibility or accountability as indicated by the J.P.C. report? And, therefore, the issue is not merely the presence of the Prime Minister. That is very important, as Shri Somnathji said or as Shri Vajpayeeji said. But even more important is who is

going to reply to this debate and if Shri Manmohan Singh is going to reply to this debate, I think there is no point in continuing this debate. (*Interruptions*)

SHRI SOMNATH CHATTERJEE: He has accepted the report and he has resigned. What else is there for him to say? (*Interruptions*)

MR. SPEAKER: Well, I have to bring certain facts to your notice. I did enquire from the Parliamentary Affairs Minister whether the Prime Minister is coming here and I am told that he is likely to come and be in the House. That is one point.

The second point is that very learned and very comprehensive statements have been made by the hon. Members from both the sides and we should appreciate the interest taken by the Members and the manner in which they have marshalled the facts on the floor of the House.

The J.P.C. report is quite voluminous. It involves too many technical issues and unless one has gone through all the pages of the J.P.C. report and gone through the entire debate which has taken place on the floor of the House, sometimes one is not likely to hit the nail on the head. And here I would like to say that yesterday the Prime Minister was sitting here. But then I was informed that he was indisposed and even the doctors were there in Parliament House. I myself told him that if he had to go and if he was not well, he could go. Today also I am told that he has some appointments with Lord Machay and others also.

17.00 hrs.

According to the information which

is passed on to me is, he is likely to come to the House. Let us hear Shri Manmohan Singh and if there is anything on which it is only the Prime Minister has to say or if he wants to say—I am not asking him to say—then he should say. Otherwise, if such a good debate in which you have all participated, goes without any reply, that also is not good.

[*Translation*]

SHRI NITISH KUMAR: By not coming to the House, the Prime Minister is showing contempt to the House.

MR. SPEAKER: Please look, I will accept if the things are put in a proper way. How can I accept if you continue to speak in this manner?

SHRI ATAL BIHARI VAJPAYEE: Mr. Speaker, Sir, we have listened to what you have said. If the Finance Minister who, it is said, has resigned, wants to say something about his resignation, we have no objection about it. If he wants to tell the House that he had tendered his resignation, but now he wants to withdraw it, he can do so, but he cannot reply to this debate. The Hon. Prime Minister should come and reply to this debate. The Finance Minister cannot reply to it.

[*English*]

MR. SPEAKER: You may treat it as a reply; you may treat it as an intervention; you may treat it as a statement. But leave aside Minister, even a Member cannot be asked not to reply, not to say. It is not possible for us to say: "You do not speak."

[*Translation*]

SHRI ATAL BIHARI VAJPAYEE: We have no objection if the Finance Minister says something but the debate should be replied to by the Hon. Minister (*Interruptions*).

[*English*]

SHRI NITISH KUMAR: Let us accept Shri Shankaranand's statement as reply.

SHRI H.D. DEVEGOWDA (Hassan): Mr. Speaker, Sir, we are debating from yesterday on this biggest money scandal in the twentieth century, which comes to about Rs. 5700 crores. This was already reimbursed by the Finance Minister from the tax-payers' money in the Budgets. I do not want to go into details about the points raised by the JPC because so many points have been touched by the senior Members while participating in the debate.

Yesterday, it was advocated by Mr. Chidambaram who was the former Commerce Minister that the scam was due to the failure of the system. I would like to ask one or two points in the form of clarifications from the Finance Minister. I would like to know whether the scam is due to failure of our system or failure of the administrative machinery and lack of will to take decisions on certain vital matters, who are responsible?

How administrative machinery totally collapsed and how political interference made at every stage while finding out the culprits and punishing the culprits can be noticed by the views expressed by the JPC in Volume II, page 116, to which I would like to draw the attention of the House.

[Shri H.D. Devegowda]

"The team was informed that virtually entire bank records relating to the subject Rights Issue had been taken by the CBI. Accordingly, informal discussions were also held with the officers of CBI and bank records and other relevant documents were seen. In the absence of proper authorisation, (I would like to emphasise particularly on this point) from the appropriate authority, the officers from the CBI expressed their reluctance in making available photocopies of the documents in their possession."

I would ask some of the Members who have spoken yesterday from the ruling party who have said that the system failure is the root cause for the biggest money scandal in the 20th century, can it be attributed to the failure on the part of the CBI or the SEBI Officers who pleaded their helplessness to produce all the relevant photostat documents pertaining to the Rights Issue? They admitted the Authority has not been permitted. They have not secured permission from the authority to produce those documents. Who is that authority? Who is that "appropriate authority" who tried to prevail on the CBI not to produce the documents which are cited by the committee, I would like to ask the Senior Members of the ruling party. Is this the style of functioning of this Government? Is it going to bring any credit to anybody? In the last 45 years, we have seen enough of many corruption charges, favouritism, nepotism on the part of many political leaders and many Commissions of Inquiry were held. No report of any of the Commissions of Inquiry has been implemented and action has been taken after Independence. Today we are debating on an issue of this nature wherein nearly Rs. 6,000 crores of

money has been involved, has been paid by the tax-payers by making provision in the Central Budget. Today we are debating under Rule 193. I do not think anybody in the Opposition expects that the Government is going into the fraud to take action or anybody is going to tender his resignation. If they imagine in that way, they are under illusion. All these problems should not be treated on party lines. The Government is not going to yield to the demands made by our Opposition friends.

I would like to draw the attention of the hon. House how the money has been used, the money which relates to PSUs. Who is responsible for that? Some papers wrote demanding the resignation of Shri Shankaranand. I am sorry why the poor man should resign. I would like to put the same question to the other people who are responsible for the investment in the public sector undertakings' funds in Scam.

It is stated in the Report:—

"Four months after the Scam became public, the Board of Directors, KRIBHCO issued revised guidelines that investment of surplus funds of the Society. The Committee regrets that the Ministry concerned who has the ultimate accountability for the observance of the financial rules and regulations, did not properly discharge their responsibility."

Who is at the helm of affairs of the Ministry of Fertilisers? Even after four months of the Scam, they never cared to take note of the frauds that have been committed by the Scam.

Rs. 250 crores of money which has been invested both by KRIBHCO and

IFFCO have been invested for the Scam. That means, it is not due to liberalisation of our economic policy. It is the people who are at the helm of affairs who are making decisions who are responsible for the failure of the system. The system has not failed. They have failed.

I would like to draw the attention of the hon. House to the many existing laws which are the laws made only for the protection of the culprits and for the protection of the swindlers, the protection of the blackmarketeers and for the protection of the corrupt politicians of this country. I am going to make this sweeping remark with my past experience.

Some of the laws require amendments like the Prevention of Corruption Act. It is very much necessary to bring an amendment to the anti-Corruption law to confiscate the property acquired by an Officer or by a politician disproportionate to the known sources of income.

Mr friend Shri P. Chidambaram has said that something which was relevant in 1947 might not be relevant today. Yes, when the Constitution was framed, our Constitution makers have thought that people of such stature will also come in the future. Today, mentioning the name of Pandit Jawaharlal Nehru, mentioning the name of Lal Bahadur Shastri is irrelevant. Those days are over. The day of Shri Narasimha Rao and Shri Chidambaram has come that all those past examples are irrelevant. The laws once we have made or enacted in this country are also irrelevant to prevent the financial blunders that are going to be omitted.

I would like to make one or two points particularly regarding some of the laws wherein sufficient and ample scope

is there for those who have committed the financial blunders to escape from any type of punishment. That is why I ask the Finance Minister one question: Will he think of bringing forward an amendment? I know he is not going to go away from the House. The Prime Minister will not accept his resignation. I have also resigned once from the Ministry. But on the day I resigned, I never entered the office. I never signed a paper. My resignation was accepted after one week by the Chief Minister of Karnataka. I never went to office even a single day after I tendered my resignation. I know how the politicians function. He has excelled even a professional politician in dealing with this matter. To the entire world he has shown that he wants to quit on moral grounds. Again, he left the matter to the Prime Minister for taking a decision. Now he is functioning in the House as a Finance Minister. But I have no personal grouse, personal grievance. I have no personal animosity about the Finance Minister or about his integrity. But the way in which he has tried to fool the people of this country, I am sorry to say, is engaging our attention. Having tendered his resignation, whether it is going to be accepted or not, he ought not to have come to this House as a Finance Minister to discharge his duty I have done this as a Minister for Public Works and Irrigation. When I tendered my resignation, for that day I never signed a single paper. I had not signed any paper till the resignation was accepted. Anyhow, I do not want to elaborate on that point now.

Sir, I want to know one thing. Is he going to assure the House to bring forward an amendment to the Anti-Corruption Act? About those people who had indulged in corruption while they were in office or while their relatives were in office, if they had indulged in corruption and acquired property or assets

[Shri H.D. Devegowda]

disproportionate to their known sources of income, are you prepared to bring forward an amendment to deal with them? I would like to tell this Government to confiscate the property which is going to be acquired by any officer or any politician which is disproportionate to the known sources of income. This is one thing which I would like to tell the Government.

The second thing is while giving his evidence before the Committee, he took shelter under the Official Secrets Act for some of the documents. The Official Secrets Act has given so much of a protection to the Government to take shelter under it. If it is confined to the country's defence or security, I agree with you. On all other matters, the Government tries to take shelter under the Official Secrets Act which should be given a go-by. Are you prepared to introduce an amendment to the Official Secrets Act? Only in respect of the country's security and defence, the Official Secrets Act should apply and it should not pertain to the other issues. If you are going to bring forward an amendment, then, I am going to compliment the Government. Even if you continue for another two-and-a-half-years, with all failures, I am not going to worry about it. Let us be very clear on this issue. Let us find out some remedial measures for all the lapses in the existing laws. This is what I would like to request the Government.

About the income-tax laws, there are so many loopholes. Are you not competent to plug those loopholes? Are you not prepared to bring forward some amendment? Black money can be generated within the ambit of the present income-tax law itself. You have to think how they are escaping from the income-

tax laws. These are all important issues. We must all apply our mind collectively and see that certain improvements are made in the existing laws. Amendments to the RBI Act, of 1935 and the Banking Regulation Act of 1949 is not sufficient to punish the guilty, if I am correct.

It is necessary to bring certain amendments in all these acts.

The next point I would like to suggest is about the CBI. When it is under the direct control of the executive, whoever it may be, whether it is under the control of the Finance Minister or the Home Minister or the Prime Minister,—normally, the CBI is going to work under the direct control of the Prime Minister—no CBI Officer is prepared to work independently because of the political interference. Because of the interference at every stage, the CBI officers or the investigating agencies are not in a position to discharge their duty impartially. I am not going to make any sweeping remarks against the officers. There are so many top-class officers. There are officers who are known for their integrity and honesty. As far as this episode is concerned, unfortunately, political interference is one of the root causes for this.

This JPC Report itself has clearly mentioned about it. Even though one of the officers tried to draw the attention of the Director of CBI about the involvement of some politicians and some important people about the investment in the foreign banks, the Director of CBI tried to avoid that and asked the Directorate of Enforcement to take note of that. (*Interruptions*).

MR. SPEAKER: Please conclude.

SHRI H.D. DEVEGOWDA: I am not

going to unnecessarily repeat what has been stated by other Members. (Interruptions)

MR. SPEAKER: You will appreciate that the time allotted for this discussion was twelve hours and we have sat for more than twelve hours. I know many Members have their flights to catch to go back. They have, in my Chamber, told me that it should be over within time.

(Interruptions)

SHRI H.D. DEVEGOWDA: If you decide, I will sit down.

MR. SPEAKER: You have to be very brief.

SHRI H.D. DEVEGOWDA: I know how the time of the House is going to be wasted. It is not you who is responsible for that. We all are responsible for that. Normally I am not going to speak in all matters. When I want to speak, I would like to express my views which are going to be useful. (Interruptions).

MR. SPEAKER: You are quite capable of being brief and very effective.

(Interruptions)

SHRI H.D. DEVEGOWDA: I am not going to speak to the gallery. If you feel that I should conclude, I will conclude. I have never disobeyed the Chair in my life. (Interruptions)

MR. SPEAKER: I do not want to cut you short. Please make your points very briefly.

SHRI H.D. DEVEGOWDA: In this Report, it is mentioned that the CBI officers were not allowed to conduct the

inquiry proceedings about the foreign bank accounts. Why? Who is responsible for that? That is why, I was suggesting and I can elaborate this point particularly that hereafter appointments to some of these sensitive posts should not be the total responsibility of the executive. If at all you want to improve the system, not the system of which Dr. Manmohan Singh has talked about, you do this. Yesterday the whole argument of Chidambaramji was only to protect the Finance Minister and not the Government. I could see that. (Interruptions)

SHRI MRUTYUNJAYA NAYAK (Phulbani): What is your target?

SHRI H.D. DEVEGOWDA: I do not know. So many other Ministers were involved in the investment of the public sector units. The Prime Minister also is involved because KRIBCO comes under him, the Department of Fertilizers is under him. He is the Cabinet Minister and he is holding the portfolio. I do not want to go into the merits and demerits of it. But yesterday, the whole argument was to defend the Finance Minister. I would like to make this suggestion because we have seen how we are functioning under the party system. Today the credibility of the political system has been eroded, the credibility of the politicians has been eroded, whosoever it may be. We are working today under such atmosphere in this country. And some of the sensitive appointments is that of the Director of CBI, Director of Enforcement, the Chairman of the nationalised banks and the Chief Vigilance Commissioner, Governor of RBI etc. My suggestion is that all sensitive appointments should be made by the Parliament. The Parliament will decide about it. You must change the existing system. The present system will never improve unless these institutions are made totally free, from the clutches of the politicians.

[Shri H.D. Devegowda]

In the previous Parliament, the Report of the C&AG was denigrated by this very same ruling party.

Sir, normally, the CAG's Report is given more sanctity and value. In this very House, you have denigrated the CAG's Report. That is why I would like to suggest that in some of these areas, we must amend our existing system. So far as the sensitive appointments are concerned, it should have the approval of Parliament. Otherwise, you cannot expect the officers to function freely because of the executive interference. That is why I am making this suggestion. If the Government feels to improve the image of the Government which has been tarnished by so many bigger scandals, let them do it. Otherwise, let them use this machinery to what we call as cover up. I can only use the expression 'cover up' their frauds. If they want to use it, let them use it.

Sir, the last point that I would like to touch upon is about the action taken by the Government. In Volume-II of this Report, the cases were registered against six officers only. During the past eighteen months, the JPC tried their best to dig out so many informations, even though there is non-cooperation from various agencies. They have tried their best. For this Report, they need to be complimented by the House.

With regard to anti-corruption cases, only six cases were registered against this whole scam. I do not know, what the Finance Ministry or other authorities not to book all other officers. At page 56, the names of umpteen number of officers have been listed who have been involved in this scam. For doing

that, they do not require the verdict of the JPC. They should have taken action against these officers. Ten top executives of the nationalised banks have been involved in this bigger scandal and not even a single top executive has been suspended up-till now. What made the Government not to proceed against those top executives? I am unable to understand that.

Sir, now I come to the system of appointing directors of the Reserve Bank of India.

MR SPEAKER: That should be your last point.

SHRI H.D. DEVEGOWDA: Should that system continue? Is it the liberalisation of our economic policies that has come in the way of appointing these directors. To nominate the Directors the Central Board of the Reserve Bank for a period of ten years was taken. Five Prime Ministers have gone. I do not know, what is the system that is prevailing today? This system needs a thorough overhaul and we have to improve the system. The other point is...

MR SPEAKER: No other points please.

SHRI H.D. DEVEGOWDA: Sir, I would like to conclude. The RBI Governor spent his time in appointing top executives or the Chairmen of the nationalised banks instead of taking steps against those people who were the main culprits in this whole scam.

Sir, lastly, I would like to conclude by saying one word. The Government should be determined to bring certain amendments to the existing laws and even if necessary amendment to Constitution. With the connivance of the

corrupt politicians—I would like to make myself clear that I am not saying that all people are corrupt—during the last 47 years, what we have seen is that nobody has been prosecuted under the Commission of Inquiry Act and nobody was sent to jail. There were only two people—the Ex-Chief Minister of Maharashtra, Shri A.R. Antulay, had suffered for ten years because of various political rivalries and the other Ex-Chief Minister which is now facing a CBI inquiry is from Karnataka. What were the circumstances? I know that they are harassing the political opponents by this machinery. That is why I would like to ask the Government to apply their mind and these agencies should be totally kept away from the clutches of the executive. Otherwise, you cannot bring in any remedy to this present system. In my humble opinion, I think, the Government will consider this and improve the present rotten system prevailing in this country. *(Interruptions)*.

MR. SPEAKER: Thank you.

(Interruptions)

MR. SPEAKER: Mr. Chitta Basu may speak. Please speak for just two minutes.

(Interruptions)

[Translation]

SHRI NITISH KUMAR: I would like to give one information. Sir, it is being mentioned that the hon. Prime Minister is busy in meetings with the Lord Chancellor and in other things. However, the fact is this that the hon. Prime Minister is busy in engineering defections from Janata Dal (A). Since you are not aware of this, that's why I am giving this information. The

august House is discussing the report of JPC but the hon. Prime Minister has got no time to participate and is busy in engineering defections... *(Interruptions)*

[English]

MR. SPEAKER: I am informed that the Prime Minister is going to come to the House. I do not know whether that information is correct or not.

[Translation]

SHRI NITISH KUMAR: You have been misinformed... *(Interruptions)*. The hon. Minister of Parliamentary Affairs has misinformed you. The hon. Prime Minister has all the time to engineer defections from a party but has got little time to attend discussion on JPC. He has no time to participate.

MR. SPEAKER: Let Shri Chitta Basu be allowed to speak.

(Interruptions)

SHRI SHARAD YADAV: At least listen to me.

SHRI NITISH KUMAR: The question is whether the hon. Prime Minister will take part in the discussion on JPC or not? We will listen to Shri Manmohan Singh only if the hon. Prime Minister agrees to come to the House and also agrees to reply to all the questions. Otherwise reply will not be possible. *(Interruptions)*.

[English]

MR. SPEAKER: This is not correct.

(Interruptions)

MR. SPEAKER: This is not correct. This is avoiding to hear what Shri Manmohan Singh has to say about the Government's position.

(Interruptions)

MR. SPEAKER: No it is not in that way.

(Interruptions)

[Translation]

SHRI NITISH KUMAR: We can listen to Shri Manmohan Singh provided the hon. Prime Minister is prepared to reply to the discussion. When the hon. Prime Minister has got all the time to engineer defections then how is it that he is not having time for replying the debate? How can he ignore the discussion?

SHRI RAJVEER SINGH (Aonla): The hon. Prime Minister is sitting comfortably in his office and trying to engineer defections but he is not prepared to come here to participate in the discussion ... *(Interruptions)*

SHRI SHARAD YADAV: Mr. Speaker, Sir, all of us including Shri Vajpayee had emphasised that the presence of the hon. Prime Minister is necessary when discussion is going on on an important matter. At that time you informed us that the hon. Prime Minister is busy in an engagement with a foreigner... *(Interruptions)*

[English]

MR. SPEAKER: My information is this. Yesterday, I was told that he was not well. Today, I was told that he had to meet Lord Chancellor. I do not know.

(Interruptions)

[Translation]

SHRI SHARAD YADAV: You are right. But I am not referring to you. I am referring to some other matter... *(Interruptions)*

SHRI RAJVEER SINGH: When he is present here why can't he come to the House and listen to the discussion... *(Interruptions)*

SHRI SHARAD YADAV: Mr. Speaker, Sir, you have been misinformed. I am not referring to what you have said. I am only stating that you have received information through the Government. Many journalists and hon. MPs. have also informed. Shri Ajit Singh has been expelled from the party by us. Shri Ajit Singh waged because of his principled role in Lucknow. We are not worried, you can admit them in the party. I would like to submit that while an important discussion is on in the House, defections of those with different ideologies are being engineered. Though the hon. Prime Minister has got no time to come to the House yet for defections he has all the time to spend. The hon. Prime Minister is having time for press briefing and photo sessions but nobody is prepared to take part in the discussion on the embezzlement of Rs. 5000 crore of public money.

Mr. Speaker, Sir, I only want to bring to your notice that even you have been misinformed. You should definitely make inquiries regarding the authenticity of the information furnished to you...*(Interruptions)*

[English]

SHRI CHITTA BASU (Barasat): Mr. Speaker, Sir, we have been discussing

the JPC report. The JPC report is qualitatively unique. It is illuminating. It is path-breaking. It is comprehensive, yet concise and specificity-oriented. It has made certain valuable recommendations in order to save our economy, in order to save our parliamentary democracy, in order to ensure the democratic values for our country. I want the Government to accept this report and its recommendations in full and implement it completely as soon as possible.

The report covers large areas. It covers a large canvas. It covers irregularities, acts of omissions and commissions in a number of ministries and departments. It indicts upon certain Ministers also. The coverage includes the Department of Public Enterprises, Department of Company Affairs, Ministry of Chemicals and Fertilisers, Ministry of Petroleum and Natural Gas with particular reference to the minister in charge of the department.

Some major public sector undertakings, namely, ONGC, Air India, OIDB, Maruti Udyog, Power Corporation, etc., etc., have also been named. My simple demand is that in order to save the economy, in order to see that the democratic progress is ensured in our country, there should be a thorough investigation into all these names, all these organisations, all these personalities whose names have been mentioned.

Mr. Buta Singh...

MR. SPEAKER: No comments now. There is no time for that.

SHRI CHITTA BASU: Mr. Buta Singh has sought to dilute the recommendations in the report of the JPC. It is not fair. It is a unanimous report.

It is to be taken as a report of the mini-Parliament. If we reject it, if we do not implement it, it will be an insult and denigration to the Parliament itself. It will reduce this parliamentary institution into a laughing stock.

I think, the moral of the report is:

"No system can work through regulations alone. Of course, it cannot work if they are flouted. But much more than that, if a system be devoid of moral quotient, of a commonsense application of right from wrong, of a sense of public duty, particularly when entrusted with public funds, then it cannot work."

This Parliament in its gravity, in its endeavour, in its tradition should heed to this moral which has been given in the laborious report.

There are certain gaps in the report. Simply I want to draw your attention to it. I want the Government should also pay attention to these gaps. The role of the Unit Trust of India, Life Insurance Corporation, and LIC Mutual Funds requires to be investigated.

The report has made several observations regarding the nexus between industrial houses, banks, brokers and bureaucrats, Reliance industries Limited, United Breweries and Apollo Tyres. These names have been mentioned in the report. I want that a particular attempt should be made...

MR. SPEAKER: No, no; please do not take other papers in hand. Now you have made the point.

SHRI CHITTA BASU: A particular phenomenon has been brought to the

[Shri Chitta Basu]

notice of the House, that is, the phenomenon of promoters' quota share. This has been one of the means to woo the highly placed bureaucrats. The names of Ministers officials and ministries have come to light.

There is also another unhealthy practice. That is called 'insider trading'. I think, as soon as possible, some legislative measures have to be taken to curb these practices. After all, this Parliament has evolved certain traditions and conventions wherein it is established and accepted that the ministerial responsibility prevails, not the individuals, their integrity or anything else.

Therefore, the Ministers whose names have been mentioned, should resign by themselves and if they do not resign, the Prime Minister should take appropriate action. In conclusion, I want to request the House to accept the report *in toto* and urge upon the Government to implement it as soon as possible in deference to the wish of the Prime Minister: himself when he is saying that he feels that there is a need for a comprehensive inquiry through the instrument of Parliament which not only establishes parliamentary supremacy but also provides effective safeguard to protect the interest of the country. Truth has been unveiled and it is time for the Prime Minister and the Government to act on the truth. I think, ultimately, truth will prevail and democracy in this country will also survive from those who do not want to see that parliamentary democracy survives in this country by way of diversionary tactics and other methods.

THE MINISTER OF HEALTH AND FAMILY WELFARE (SHRI B. SHANKARANAND): Mr. Speaker, Sir, first

of all, I crave the indulgence of the House to listen to me without interrupting. I rise to speak today in Parliament when a very serious debate is taking place. The whole nation is looking to the debate and its outcome. It is true that the JPC has given its unanimous report; I have nothing to comment on that. I would only like to point out what the JPC has done in finding out facts; they have rightly done it and I will show it to you. The entire exercise of the JPC is finding out the culprits who have contributed to the scam and who have run away with the money. They have rightly gone into all the aspects of it. The report is full of details about the PSUs which have flouted the rules and regulations and the principles of investment. They have pointed out numerous PSUs under various Ministries. They have gone to the extent of finding out the PSUs which have not even looked at the various rules and regulations. They are innumerable. I do not want to take the time of the House in pointing out the same because much has been said on these points. They have pointed out the PSUs which have routed the funds through brokers without following any procedure of investment as laid down or rules and regulations. Not only that, they have found that funds have been invested over telephones without keeping any record as to how these funds have been invested by the PSUs. I hope the hon. Members will agree with these observations made. Overall investments were made by talking through telephones. Not only this, Sir, they have also found that many PSUs have invested into foreign banks, cooperative banks, private financial institutions and non-banking financial companies in order to make money through brokers on cheques or by cheques. Funds have been diverted in a very dubious way violating all guidelines and regulations. Diversion of funds through brokers has been enumerated.

In many companies, there has been a misuse of public funds through ready forward deals in foreign banks. While dealing with this aspect, the JPC report has stated that there are investments which have been made at a low rate of interest thereby causing huge losses. I would like to refer to para 14.33 in this regard:

"It is pertinent to note that the placement of funds with the banks was at rates, lower than the interest payable on the bonds.... resulting in lower return of Rs. 9.40 crore."

Now I quote para 14.41:

"Thus, these funds remained blocked for considerable period. Many companies gave concessions and invested monies at rates lower than the interest rates of the bonds, thereby incurring losses in the process. Their losses were compound further for various reasons."

Now I come to para 14.293.

SHRI SYED SHAHABUDDIN (Kishanganj): In between you missed paragraphs 14.161, 14.201 and 14.202.

SHRI B. SHANKARANAND: I am coming to that. Please let me complete. I have requested in the beginning itself not to interrupt me. If some hon. Members want to know anything, I will certainly clarify the position.

Now I quote para 14.293:

"... they may invest their surplus funds in such a manner so as to achieve optimum profits."

SHRI SOMNATH CHATTERJEE: You want to state here that everyone has done it.

SHRI B. SHANKARANAND: Let me conclude what I am saying. Then I will come to OIBD.

I quote from para 14.331:

"It is noted that these investments were not made at the highest rate of return, even though they were made with specific approval. This resulted in an approximate loss of Rs. 15 lakh to the society."

Now please see para 14.347:

"During the period from 1.2.91 to 22.4.91 the society made investments at a lower rate of interest although higher rates were available for these investments."

Sir, I don't want to take the time of the House. Innumerable instances have been quoted in the Report itself which show how the funds have been routed by cheques through brokers. As against this, what has the OIBD done? As against all these things, the OIBD which is a statutory body born out of an Act of parliament with proper rules and procedures laid down for investment, has examined the investment funds in greater details. The Financial Adviser in the Ministry is a nominee of the Ministry of Finance. He is the Secretary of the OIBD. All that we have done is that we have tried to invest funds with the nationalised banks which gave us the highest rate of interest. And for that I am being hounded! These are the facts. These are the facts reported in the Report itself.

I am not saying something which is

[Shri B. Shankaranand]

not mentioned in the Report. Let me explain as to why this has been done. As I said, OIBD is a statutory body which has its own rules and procedures guiding the investment procedure and proposals. Is it a crime to invest surplus money in nationalised banks in order to earn the highest rate of interest? The Committee has said about it. I am being blamed both inside and outside the House. Editorials have been written on it. The JPC has done a right thing to mention about the OIBD in its Report. It says that it is only the OIBD which is invariably inviting questions in writings. This has already been said in the Report that the investment should be transparent. How can an investment be transparent unless it is recorded in writing? Can you examine any investment if there are no records? I would say that 90 per cent of the transactions went without record. JPC could not call for the facts. It could not say anything about it. But, since Shankaranand is the ex-officio Chairman of the body, who has approved the proposals for investment at the highest rate of interest, he is the guilty. I seek the indulgence of the House to please compare these two things. Is anything done beyond this?

SHRI NITISH KUMAR: *

MR. SPEAKER: It will not form part of the record. Insinuations and instigations made on the floor of the House should not form part of the record.

[Translation]

SHRI NITISH KUMAR: If these do not form part of the record then the debate in the House will lose its vibrancy.

MR. SPEAKER: I am not curbing anything but I shall expunge it from record.

[English]

SHRI B. SHANKARANAND: In Paragraph 202, the Committee says—although I do not agree with it—and I quote:

"Unfortunately, the officers failed. The Committee are of the view that the Secretary, OIBD, Financial Adviser and other officers responsible for fund management were negligent in the discharge of their duties, and the responsibilities should be fixed for the lapses."

I do not agree with this because none of the Officers has ever failed to give me correct advice. They have always given me the correct advice. They tried to find out a nationalised bank which gives the highest rate of interest and then funds were accordingly invested in that. Not a single paragraph of the Report says that I am directly or personally responsible. Ultimately, I am amazed to see the conclusion. What is the conclusion, Mr. Speaker, Sir? The conclusion was and I quote:

"The Committee are of the view that assumption of responsibility for placement of funds by Chairman of OIBD was uncalled for."

I never issued a sanction of this nature. The practice was there. The procedures were there. I simply followed them. I have not changed even an iota of the laid down practice and procedure for placement of funds. I have not done

anything. I have not all introduced any new guidelines for investment to help any person, institution or company so that they get the funds. I have not changed the existing guidelines also. In spite of that... (*Interruptions*)

SHRI JASWANT SINGH
(Chittorgarh): Overwriting.

SHRI B. SHANKARANAND:
Overwriting. I am glad that you have raised this.

SHRI JASWANT SINGH: I have not raised it. I am not permitted to raise it.

SHRI B. SHANKARANAND: I am going to reply to that. The JPC had sent me a questionnaire. They had raised a question of an offer of over writing which gave the highest interest. They had all looked at my replies. It was classified that this offer had not been considered. It is on record. I welcome the Members belonging to any side of the House to look at the records as to whether any investment had been made in such a case. If that be so I am willing to resign. Let us see the records carefully. Mr. Speaker, Sir, I just followed the existing practice of investment. When there was any problem the Ministry of Finance was to be approached for the remedial action. We wanted the Ministry of Finance, Department of Banking to advise us, that if there is a defaulting company how to recover the money from them. That is all. From whom should we seek advice if not from the Ministry of Finance or the Department of Banking?

Now, I will quote para 14.205 for this purpose.

"The Committee are of the view that the assumption of responsibility for placement of funds by Chairman, OIBD was uncalled for."

Now, I want to know on what basis they are saying this. Do they have any evidence or record?

SHRI INDRAJIT GUPTA: Who was the Chairman? You were the Chairman.

SHRI B. SHANKARANAND: I was ex-officio Chairman of the OIBD. Under the rules I was the Chairman. Is it a *gunah* to invest money in the nationalised banks?

SHRI INDRAJIT GUPTA: It is mentioned here.

SHRI CHETAN P.S. CHAUHAN (Amroha): It had been invested in the nationalised banks. That is why we had suffered a loss of Rs. 70 crore. (*Interruptions*)

SHRI B. SHANKARANAND: I am not yielding. Let them ask any question after I conclude.

SHRI INDRAJIT GUPTA: The same thing is there in black and white.

SHRI B. SHANKARANAND: I quote:

"The Committee are of the view that the Minister acting as an ex-officio Chairman of such an organisation is not a healthy practice."

If you say that in the eyes of the JPC, it is a bad practice; but then this practice is according to the rules. It is not in my hands. I have not introduced this practice. I was following the practice as was then existing.

The J.P.C. Report says:—

"In the light of these observations, the Committee considered a sad

[Shri B. Shankaranand]

duty to conclude that the two Chairmen of the OI DB during their relevant period did not discharge their responsibilities in consonance with the high office that they were holding."

Now, what is this — "responsibility" and "in consonance with the high office that they are holding"? I think the House will agree with me. I do not want to take much time of the House in reading out these relevant portions. There are so many other things to be said on these matters but they did not say anything. They have said that the PSUs have misused the funds. There was rampant corruption. The brokers were using the funds. No Minister's name had been written except mine. Will this House appreciate this? For this purpose my resignation had been called for Mr. Speaker? What wrong have I committed?

In this case two questions arise. Have I, at any time, changed, the then existing policy and practice in OI DB for inviting quotations and investment of surplus funds? Have I introduced any fresh guidelines to help any financial institutions? Has there been any breach of policy, practice and procedure with regard to investment of surplus funds? Is it not a fact that OI DB funds have been invariably invested in the nationalised banks and subsidiaries only by inviting offers invariably in writing, unlike all other PSUs which have invested only on telephone talks, blatantly violating the norms, procedures and rules regarding investment? Is it not a fact that OI DB which has invested its funds in nationalised banks, always preferred the financial institutions giving highest rate of interest? What crime have I done? (*Interruptions*)

I now want to come to the remarks made by the Leader of the Opposition yesterday. (*Interruptions*)

[*Translation*]

SHRI NITISH KUMAR: Sir, this is not mere system failure.

[*English*]

SHRI B. SHANKARANAND: He spoke the moral responsibility. I agree. I do not disagree. If the Leader of Opposition would have been on this side, according to him, he would have definitely resigned. I do not think that he will get that opportunity at any time. (*Interruptions*)

SHRI GUMAN MAL LODHA: It is not you who is to decide, it is the people's desire to bring him there. (*Interruptions*)

SHRI B. SHANKARANAND: I have the highest regard for the Leader of Opposition. When he spoke of moral responsibility, could not Shri Vajpayee speak or whisper a little to his left side to resign on moral responsibility.

What is moral responsibility? When they have demolished Babri Masjid, divided the country on communal lines, where is their moral responsibility? When they are being tried in criminal courts, is there only moral responsibility? (*Interruptions*)

SHRI B. SHANKARANAND: I am sorry, Sir, this is what I have to say. I have done my job. The rest of the things, the Finance Minister will reply.

SHRI INDRAJIT GUPTA: Sir, one small point because I am getting confused. As I understood, you say that the

funds of this OIBD were invested invariably and only in public sector banks. But paragraph 14.202 says:

"More astonishingly these funds of OIBD were widely used in making investments in equities of private sector companies."

SHRI B. SHANKARANAND: This is not based on facts. That is what I said and I stand by that.

SHRI SOMNATH CHATTERJEE: You invested in Canfina. Canfina is not a nationalised bank and you have utilised investments in private sector companies. That is what the finding is. Crores of rupees have been released from Canfina. If it was a nationalised bank, the Government of India is the surety for nationalised banks and not for Canfina.

SHRI B. SHANKARANAND: I will come to that. It is the laid down policy because it is defined in Rule 9 of the OIBD Act. There are rules. I have not made the rules and rules permit this investment in nationalised banks and their subsidiaries. *(Interruptions)*

SHRI SYED SHAHABUDDIN: I refer to page 108 of Volume II. *(Interruptions)*

[Translation]

SHRI NITISH KUMAR: Is he intervening or making a reply?

SHRI ATAL BIHARI VAJPAYEE: Mr. Speaker, Sir, it should be made clear though we are prepared to listen to the hon. Minister of Finance yet we would like to have an assurance that the hon. Prime Minister will reply at the the end. Intervention of the hon. Minister of

Finance can only be constructed as intervening speech and not the final reply. Otherwise it will be gross injustice to the august House.

18.00 hrs.

[English]

THE MINISTER OF STATE IN THE MINISTRY OF EXTERNAL AFFAIRS (SHRI R.L. BHATIA): It is not obligatory for the Prime Minister to reply to this debate. *(Interruptions)*

THE MINISTER OF WATER RESOURCES AND MINISTER OF PARLIAMENTARY AFFAIRS (SHRI VIDYACHARAN SHUKLA): Sir, according to rule 193, the Minister has to reply to the debate and the Finance Minister is going to reply to the debate and not the Prime Minister. *(Interruptions)*

SHRI JASWANT SINGH: Mr. Speaker, Sir, I have a point of order.

MR. SPEAKER: I will now hear your point of order.

SHRI JASWANT SINGH: Sir, there are two aspects in this. With due respect to the hon. Minister of Finance, I want to know whether he is standing up here today and replying to this debate as the Minister of Finance or he is replying in his individual capacity. If he is replying to this debate in his individual capacity, then as a Member of the other House, he has no right to reply in individual capacity to this debate because he is an outsider. If he is replying as the Minister of the Cabinet, let the position first be cleared as to what was the status of his resignation. His resignation is not to the Minister of Parliamentary Affairs. His resignation is to the Prime Minister. This clarification can

[Shri Jaswant Singh]

come only from the Prime Minister. This clarification about the status of the Minister of Finance has to come from the leader of the House, the Prime Minister alone. That is my point.

SHRI VIDYACHARAN SHUKLA: Shri Manmohan Singh is the Finance Minister of India and in that capacity he is replying to this debate. *(Interruptions)*

SHRI SOMNATH CHATTERJEE: It is very easy for an arrogant attitude to be taken by the Minister for Parliamentary Affairs. He is giving a diktat as if we are his subordinates.

MR. SPEAKER: No.

SHRI SOMNATH CHATTERJEE: Shri Shankaranand has rightly pointed that the apart from his former Petroleum Ministry, Railway Ministry, Fertiliser Ministry and many other Ministries are involved in this. How can the Finance Minister reply to that? We do not know whether he has tendered his resignation or not. This was not officially told to us. But we are discussing this matter since yesterday. How can the Finance Minister reply with regard to other Ministers? And whether Mr. Shankaranand should act or not, only the Prime Minister can say. Therefore, what is the good of hearing the reply of the Finance Minister? What authority has he got to reply to this debate?

SHRI VIDYACHARAN SHUKLA: The rule of Parliament says that any Minister of the Government can reply on behalf of the Government. The only thing he requires is, Sir, your permission. Sir, with your permission or your indulgence, I can speak on behalf of any Minister, any Department and any Ministry. *(Interruptions)*

[Translation]

SHRI ATAL BIHARI VAJPAYEE: Mr. Speaker, Sir, you would appreciate that this is a special discussion and not only the Finance Minister but other Ministers, Ministries and the entire Government are in the dock. You had just said that the hon. Prime Minister was keeping good health and he was meeting foreign delegates. You had also said that the hon. Prime Minister would come to the House.

MR. SPEAKER: This is what I was told.

(Interruptions)

SHRI ATAL BIHARI VAJPAYEE: What is the need to change that?

SHRI HARI KISHORE SINGH (Sheohar): Mr. Speaker, Sir, now it is not only about the charges of the opposition, the hon. Prime Minister has also to reply to what Shri Shankaranand Ji said here. *(Interruptions)*

SHRI SHARAD YADAV: Mr. Speaker, Sir, you had given an assurance here. *(Interruptions)*

SHRI LAL K. ADVANI: Mr. Speaker, Sir, you may recall that we had said also at the time when the JPC was constituted that in view of the latest scam, the JPC should not be bound by certain rules. Thus, a special motion was brought and we accepted the proposal that generally ministers are not summoned before any Parliamentary Committee but if need be, the Ministers will be called before this Committee with your permission. I would like to say in the same context that when a little while ago it was said here by all the Members that the hon. Prime Minister should be present in the House to reply to the debate. As per the rules, the presence

of the hon. Prime Minister is not necessary but because of the importance attached to this discussion, it was felt by everybody that the Prime Minister should be present in the House. If the hon. Prime Minister does not participate in the discussion, no proper solution will come out of the discussion. The reply to the debate is being given by a Minister who has since tendered his resignation after accepting his responsibility in the wake of the report of the JPC. That's why, you should not give your decision in this case on the basis of the rules... (*Interruptions*)

SHRI NITISH KUMAR: Mr. Speaker, Sir, you had said that the Prime Minister wanted to come; he is expected and he is meeting foreign guests....

MR. SPEAKER: I had said this on the basis of the information I had received.

SHRI NITISH KUMAR: When you said it, we had got this impression that the Prime Minister would come and have his say. So far as listening to the views of the Finance Minister is concerned, if he wants to air his views and defend himself as the Finance Minister, he may do so. But cabinet Minister of this Government Shri B. Shankaranand has clearly stated that nothing much has happened in his Ministry as compared to Ministry of Railways, Nuclear Ministry, Ministry of Fertilizers etc. and most of these departments are under the direct control of the Prime Minister... (*Interruptions*)

SHRI B. SHANKARANAND: No, I did not say it.. (*Interruptions*)

SHRI MUKUL WASNIK: It is totally incorrect. Mr. Nitish Kumar, you cannot say whatever you feel like. This won't do.... (*Interruptions*)

SHRI NITISH KUMAR: You will be able to understand me only if you hear me completely. Shri Shankaranand has just now said that his Ministry was not involved to a great extent whereas other Ministries are gently involved in it. When a Cabinet Minister takes such a view, then only the hon. Prime Minister can dispel the doubts. So, Sir, the Prime Minister should be called as was promised by you. The Minister of Finance can also speak but the Prime Minister will have to be present at the time of the reply. We won't accept the statement of the Finance Minister in the absence of the Prime Minister. It is a special debate and you have made a provision for such a permission in the extraordinary circumstances. So, we seek your protection. It is a question of the prestige of the House. If you yourself do not protect the prestige of the House, than the members belonging to the ruling party will destroy the parliamentary system. That's why, we would urge upon you to protect it.

SHRI MUKUL WASNIK: Mr. Speaker, Sir, nobody wants the parliamentary system to go astray. He should not make such irresponsible remarks. This is wrong.

SHRI CHANDRA SHEKHAR: Mr. Speaker, Sir, so long as the resignation of the Finance Minister has not been accepted, I consider him the Finance Minister and that's why, he has a right to speak here. He is not only a Member of Rajya Sabha but also a member of the Cabinet. So far as this discussion is concerned, involvement of several departments have been mentioned. It is not a question of departments alone but also a question of policies. This discussion has been going on unnecessarily since yesterday in which Mr. Manmohan Singh is being arraigned. Poor Mr. Manmohan Singh has not done anything wrong. I am

[Shri Chandra Shekhar]

not saying it jokingly. All these policies have not been formulated for India alone but for the whole world and these have been implemented in our country. The Finance Minister has implemented those and the Prime Minister has extended protection to them. The Prime Minister has given political protection to these policies. The Finance Minister has done what other underdeveloped countries are doing under pressure. They have their limitations and problems. So, the best course would be that after the hon. Finance Minister, the Prime Minister also says something in this House. I had said this in beginning but hon. Members had opposed it. If sometimes the Prime Minister speaks in such circumstances, then the prestige of his post will be maintained and the prestige of India, which is going downward, may also be survived. So, Mr. Speaker, Sir, we got some hope when you said that the hon. Prime Minister was expected to come here.

Please do not refer to rules. Your ruling will be final according to rules and I believe that your ruling should be accepted. If you say that the Prime Minister would not come, we will accept it. Because views keep changing in this ever changing world. But, Mr. Speaker, Sir, please you should not change your views so quickly. Let them change their views, I do not mind. You were informed that the Prime Minister wanted to come but our hon. Minister Shri Shukla has now said that he cannot come. They may change but please tell them not to make you change your views.

[English]

SHRI SOMNATH CHATTERJEE:
Sir, it is a question of propriety and dignity of the House.

MR. SPEAKER: Will you quote some precedent?

SHRI SOMNATH CHATTERJEE: I will quote nothing else but the Prime Minister's own statement which is nothing but a commitment to this country.

SHRI MRUTYUNJAYA NAYAK:
Under which rule? (*Interruptions*)

MR. SPEAKER: Which is the precedent that only Prime Minister can reply, I would like to be enlightened.

SHRI SOMNATH CHATTERJEE:
Sir, I am only on that. I am quoting the Prime Minister on the floor of the House from that place. I quote:

"I feel that there is need for a comprehensive inquiry through the instrument of Parliament which not only fully establishes Parliamentary Supremacy but also provides an effective safeguard to protect the country's interests. I am, therefore, requesting the Hon. Speaker to proceed with the formation of a Joint Parliamentary Committee and entrust it with the task.. I would like to assure this august House that my desire and purpose remain, as they have been so far, to unveil the truth and ensure the smooth transformation to a vibrant economy in the larger interest of the nation."

That is the very basis on which the Committee was appointed; deliberations had taken place; report has been given. He has given his commitment that it is his desire and purpose. That is what he had said. Therefore, he had suggested that the Committee should be appointed. Now, today, we are being told, after all this special discussion, that he has no time for

this Parliament of India when Rs. 5,000 crore are involved; when 30 Members of Parliament, for 18 months, have gone into this issue. Members from that side and this side, everybody has said that such a scandal has never happened in India. And now the Prime Minister of India has no time to come forward and he is taking cover under a Minister who has resigned and has not got the courage to say that he has not resigned. We cannot be a party to it. (*Interruptions*)

SHRI VIDYACHARAN SHUKLA: Sir, I have to inform the Chair that the Prime Minister will be in the House. He will come to the sitting of the House and he will be present during the Finance Minister's reply. (*Interruptions*)

SHRI SOMNATH CHATTERJEE: That is not the point. (*Interruptions*)

[*Translation*]

SHRI SHARAD YADAV: Mr. Speaker, Sir, the moment you took the Chair, we had raised the issue whether the hon. Prime Minister would come or not. It is not your fault. This is being discussed for two days. The issue relates to Public Undertakings. One hundred and fifty Departments are involved in it, but only 20 or 25 Departments have been inquired into. There are so many Departments under the charge of the Prime Minister. I want to submit that if the hon. Minister of Finance above replies here, the purpose of this discussion is not served. The entire august House will be pained to accept it. The sole competent and accountable person in the Government is the hon. Prime Minister. It will be better if he arrives here and replies to the discussion.

SHRI RABI RAY (Kendrapada): Mr.

Speaker, Sir, I would like to tell you something provided you do not pick up the rule book. (*Interruptions*)

[*English*]

SHRI MUKUL WASNIK: Not from a former Speaker, Sir,

[*Translation*]

MR. SPEAKER: You are also asking me to go beyond rules.

SHRI RABI RAY: On certain occasions, the Speaker has to rise above normal rules while giving his decision.

Mr. Speaker, Sir, this committee was set up under very strange circumstances. You have made a very good decision in permitting a debate for two days. About six days back the hon. Minister of Finance tendered his resignation. News to this effect has appeared in all the newspapers of the world... (*Interruptions*)

It has not appeared in English newspapers. But it has appeared in almost all other newspapers. We are sitting here in the House chaired by you for two days but the Parliament has not been taken into confidence so far. I want to know whether the resignation of the hon. Minister of Finance has been accepted or not. The Prime Minister came here but he did not speak anything in this regard. Therefore, I consider it an abnormal situation. No Department of the Government of India has been spared in this report. They all, including the Prime Minister's office, have been covered in it. The general rule is that the person nominated by the Cabinet or the Prime Minister should reply to the debate. Therefore, an extraordinary solution is

[Shri Rabi Ray]

required for the resolution of such an abnormal crisis, I would like to tell the Congress Members that it will be in their interest. The Prime Minister himself should come here and reply to the debate. This will enhance the dignity of Parliament. This abnormal situation should be resolved in an extra-ordinary manner and therefore, you should not fetter yourself by the rule book.

SHRI NITISH KUMAR: There are both rules as well as convention. You should set up a new convention. We have high hopes from you.

[English]

SHRI MRUTYUNJAYA NAYAK: Mr. Speaker, Sir, I am on a point of order.

MR. SPEAKER: What is your point of order?

SHRI MRUTYUNJAYA NAYAK: Sir, you are the upholder and the custodian of the rules and the procedures of the House. Being the former Speaker of the House, Mr. Rabi Ray is suggesting to go beyond the rules. So, I would request you to uphold the rules. (*Interruptions*)

SHRI PAWAN KUMAR BANSAL (Chandigarh): Mr. Speaker, Sir, I am aghast to hear the hon. senior Members propound a theory that a Minister in the absence of his resignation being accepted is not really the competent person to speak in this House. Perhaps equally perturbing is the sort of interpretation that Mr. Rabi Ray intends to place on the rules. I would like to refer only to Rule 193. It says that in a discussion of the type that has taken place today a Minister shall make a short reply.

MR. SPEAKER: I do not need this long argument.

SHRI PAWAN KUMAR BANSAL. Sir, you would kindly recollect that earlier in cases like this, only the concerned Ministers had replied. In this case relating to securities scandal, the right person to reply is none other than the Finance Minister.

[Translation]

SHRI ATAL BIHARI VAJPAYEE: Mr. Speaker, Sir, I know that you will refer to rules.

MR. SPEAKER: It will be clear only after listening to me as to what I shall refer to.

SHRI ATAL BIHARI VAJPAYEE: I admit that the business of the House should be conducted according to rules only but the House.... (*Interruptions*) I am being asked to think over it in accordance with the rules. As I stated earlier, today the session will be over. The important discussion for which two days were allotted, is in its final stage. We want to hear the hon. Minister of Finance, he should participate in the debate, and give his explanation. It is necessary and natural as well. But taking the vastness and seriousness of the debate into consideration only the Prime Minister and no other Minister can reply competently. If the hon. Prime Minister is prepared to reply we should be informed about it, otherwise we will miss the explanation of the hon. Minister of Finance. I hope that the ruling party will not create such a situation. (*Interruptions*)

MR. SPEAKER: Please sit down. I have heard enough of sermons.

SHRI NITISH KUMAR: Whatever you speak will become a new convention.

MR. SPEAKER: Shri Nitish Kumar has already spoken. I am presenting my views not on the basis of rules only. As I mentioned earlier the rule does read:

[English]

"There shall be no formal motion before the House nor voting. The member who has given notice may make a short statement and the Minister shall reply shortly."

This is the rule. But I am not only relying upon the rules. This is a matter which has spread over many Ministries. But the nodal Ministry, if you have to recognise is the Finance Ministry.

Secondly, about the Finance Minister, you say about many other things. Until I get authentic report, I have to continue to hold him what he has been. And then, he has been sitting from the morning to the evening taking notes and carefully hearing all arguments which you have given. I am really very happy. I am not saying just to get the cooperation of the Members but the standard of debate has been quite good. After this kind of debate, if a situation arises in which the point of view of the Government or the Treasury Benches is not projected, it remains incomplete.

My appeal to you, my request to you is, you please hear the Finance Minister what he has to say and then you can come to any conclusion you like.

(Interruptions)

MR. SPEAKER: It cannot be done against the rules. I will request you that

you are giving a wrong signal to the country on such matters. You are not ready to hear. You cannot compel anyone to speak or not to speak.

(Interruptions)

[Translation]

SHRI ATAL BIHARI VAJPAYEE: We would like to listen to the Minister of Finance....(Interruptions).... We do not agree with you and we walk out from the House.

18.24 hrs.

(At this stage, Shri Atal Bihari Vajpayee and some other hon. Members left the House.)

SHRI SHARAD YADAV: Mr. Speaker, Sir, I would like to say one thing. I had already said in the very beginning....(Interruptions)....

[English]

SHRI SOMNATH CHATTERJEE: We have hoped that the earlier observations that you have made will be heeded to by the Government of India, by the Treasury Benches and proper respect should be given to Parliament. It would have been a meaningful end to the debate if the hon. Prime Minister could have shown a little respect to this Parliament. It is a deliberate affront to the Parliament. (Interruptions) We are walking out.

18.25 hrs.

(At this stage, Shri Somnath Chatterjee and other hon. Members left the House).

(Interruptions)

[Translation]

SHRI SHARAD YADAV: Mr. Speaker, Sir, I would like to say very humbly that we had expected the Government to give proper reply to the debate. You too had assured us that the Prime Minister would definitely come here and intervene in the proceedings....(Interruptions)..... Despite it, the Minister of Finance is giving reply on behalf of the entire Government. We seriously feel that the reply given by the Minister of Finance is not sufficient.....(Interruptions)..... Because we feel that the Prime Minister is also involved in this matter.... (Interruptions)..... that is why, we expected the reply from him. We demand that the entire Government should resign..... (Interruptions) But now we have come to the conclusion..... (Interruptions) Till now, we had listen to the views of all of you in this House. It does not mean that the Government would try to reject the report of the JPC in this manner. It was beyond our imagination. Shri Vidyacharan ji had assured us that the Prime Minister would be present here and he would also intervene in the proceedings and he would try to resolve our queries but it has not been done. He has not performed his duty. He has devoted his entire day in arranging defection and did not come here... (Interruptions) Now then can speak in front of the vacant opposition benches. I would like to say that they are misleading the people of the country... (Interruptions)... This Government should resign. I conclude with these words and we are walking out.

18.27 hrs.

(At this stage, Shri Sharad Yadav and some other hon. Members left the House.)

(Interruptions)

[English]

SHRI INDRAJIT GUPTA: I am sorry I cannot shout like this. If the Minister for Parliamentary Affairs is willing to clarify that Dr. Manmohan Singh will be intervening in the debate, we are quite prepared to listen to him. But if we are told that "No. This is the conclusion of the debate and he is replying on behalf of the Government to the whole debate," then I am very sorry to say that we have to absent ourselves. Let him clarify.

SHRI VIDYACHARAN SHUKLA: I have already said and I will again repeat that Finance Minister Dr. Manmohan Singh will reply to the debate and the Prime Minister will be present during his reply in the House.

SHRI MURLI DEORA: In case he wants to intervene, he can.

SHRI INDRAJIT GUPTA: Are we expected to wait till the Prime Minister comes? We are walking out.

18.28 hrs.

(At this stage, Shri Indrajit Gupta and some other hon. Members left the House.)

(Interruptions)

SHRI MANMOHAN SINGH: Mr. Speaker, Sir, I join other Members of the House in expressing my deep sense of appreciation and gratitude to the Members of the Joint Parliamentary Committee and particularly to its esteemed Chairman for a thought-provoking report presented on the massive security scam.

The Committee has highlighted

serious weaknesses in the functioning of our financial system, the weaknesses which have persisted at least since the mid-80s and which have been exploited by an unscrupulous group of stock-brokers, bankers and others in collusion with them, with the objective of diverting public funds from the banking system into the stock-market in an irregular and at times in an illegal manner.

The Committee has made several recommendations. As the hon. Minister for Parliamentary Affairs pointed out, it will take quite some time before we complete our examinations of all the recommendations. But I wish, through you, to assure this august House that our Government takes the Report of this august Committee very seriously and that we are determined to ensure that all its recommendations are given the careful attention that they deserve. *(Interruptions)*

Sir, I am today speaking as the Finance Minister of the country. *(Interruptions)*

MR. SPEAKER: I am not going to allow Shri Kalp Nath Rai to break the desk.

(Interruptions)

SHRI MANMOHAN SINGH: The Committee has said many things about the conduct of the Ministry of Finance and the conduct of the Finance Minister. At the outset, I wish to point out that I accept full constitutional responsibility for the actions or events which pertain to the areas of responsibility entrusted to the care of the Ministry of Finance. There are various interpretations of ministerial responsibility. I have been reading in the last few days some of these reports, the views of the Fulton Commission—several other Commissions have reported in

Canada, in Australia, in the United Kingdom—but I am not going to take shelter under constitutional niceties. I do accept the proposition that as Finance Minister, I have a responsibility to this House, to the Prime Minister and to the people of this country. And, whatever punishment this House in its wisdom would choose for me, I will gladly accept that.

Having said that, I do wish to deal with certain matters not to criticise the Report of the Committee but to point out certain issues which probably, through oversight or because of the pressure under which this Committee was working, have not received the attention that they deserve.

Sir, the Committee has criticised the Ministry of Finance on four basic points. First of all, the failure to anticipate the problem; second, respond to it purposefully when it first surfaced; third, manage adequately thereafter the consequences of it; four, apply the needed correctives with despatch; and five, punish the guilty in time and resolutely.

The Committee itself has pointed out that these irregularities were going on for many years particularly the misuse of the Public Sector Units' funds through the Portfolio Management Scheme; the misuse of the BRs; the misuse of the SGL—they have all been going on since at least 1986. And, it is a matter of deep personal regret to me that during the first nine months that I was in office, these irregularities got accentuated. Our Banking System suffered a grievous loss and it has saddened me intensely that in a country where we cannot fully provide funds to meet needs for such basic things as education for our children, decent health care for the rural people, where we

[Shri Manmohan Singh]

lack adequate resources for our anti-poverty programmes, a group of unscrupulous people should have the audacity to rob our country of such a large sum of money.

At this stage, I can only say that our Government is fully determined to punish all those who are responsible for this. But I do want to submit to this House about my own role in this scam. The period for which I was concerned was the period from 24th June when the Prime Minister very kindly appointed me as Finance Minister to the month of March or April, roughly a period of nine months. And this House is entitled to know what I was doing this period.

The first charge against me is that I failed to anticipate the problems. Respectfully, I do not plead guilty to this charge. And as proof of this, I draw the attention of this august House to the Budget Speech that I made on the 24th of July, 1991 and I draw your attention to paragraph 14 where I explicitly mentioned the grave weaknesses of our banking and financial system and that it was necessary to take basic remedial measure to correct these weaknesses. It is on that very occasion that I announced the appointment of a high-powered Narasimham Committee to look at the totality of the functioning of our financial system. And that Committee was appointed in a month's time. If you look at the terms of reference of that Committee they do show the awareness of some of the most important issues which have figured in the scam namely, the inadequacy of the internal control mechanisms of the banking system, the weaknesses of the supervisory arrangement in the Reserve Bank. I was

vaguely aware of it that these are the structural weaknesses of our system. That is why, these were explicitly mentioned in the terms of reference, the notification of which was issued on the 14th of August. With your indulgence, I read out specifically item 6:

"To review the existing supervisory arrangement relating to the various entities in the financial sector in particular, the commercial banks and the term lending institutions and to make recommendations for ensuring appropriate and effective supervision."

I was aware of the basic weaknesses of our financial system though I was not aware that some people sitting in the State Bank or in some other banks were robbing our banking system. And you would not expect, that as Finance Minister, I could sit either in the State Bank or in any other bank to discover that sort of thing when the top management of the bank did not know it. Nobody brought it to my notice.

In the same speech on the 24th of July, 1991 I referred to the fact that India's capital markets in the 1980s had grown in massive proportion. The Committee itself has mentioned those facts and that our capital markets have largely remained unregulated. The Stock Exchange Division of the Finance Ministry has no more than four persons. Even those four persons are not technically qualified people to understand the intricacy of the financial markets. Government after, great deal of consideration, had set up the Securities and Exchange Board of India as an advisory entity in 1988. But until I came on the scene, nobody gave it a status of a statutory board. In my very first month in office, I felt that this is a dangerous weakness in the supervision of

our financial markets. In my first budget speech, I announced in paragraph 15, my decision to give adequate statutory powers to SEBI.

In the course of the next four or five months, there were differences with the Department of Company Affairs, but with the blessings of the Prime Minister, we managed to resolve those differences and on the 30th of January, 1992 SEBI was made a statutory organization through an ordinance. That itself will disprove the fact that I did not anticipate this problem. More specifically, in the month of August, 1991 I recorded an explicit note which I sent to the then Minister of Banking and Insurance that our banking system was excessively prone to bank frauds and that it was, therefore, necessary to appoint a high-powered group to look into this matter. This was long before anybody talked of scam. In the month of August itself, I said that it was necessary for the Reserve Bank to appoint a high-powered group to go into this whole issue of why frauds were taking place, and what remedial measures could be taken to control this evil of frauds.

Then, Sir, when stock market prices started rising, I gave explicit instructions to the Governor of the Reserve Bank in September, 1991 which were incorporated in the credit policy which was announced in October that bank funds would not be used to fuel speculation in the stock market. Again, the prices up-till December were roughly reasonable. In the month of January, 1992 again, the prices started rising and in the months of January, February and March, I repeated the same instructions to the Reserve Bank that please make sure that bank funds were not being used to fuel speculation. I was assured by the Reserve Bank that credit policy with regard to financing of the share market

transactions was extremely tight and that there was no scope for bank funds being utilised to finance stock market transactions. Then a question arose in my mind: "How is it that markets are so bullish why are the prices rising, if the bank money is not going into that?" It is in that context that I told the then Finance Secretary that let us find out as to where are these brokers getting this money from. I did not order any raids on any individual entity; nor as Finance Minister I do so. This general instruction of mine was followed by the Finance Ministry's Income-Tax Department to organize a raid on Harshad Mehta on the 28th of February, 1992. We were trying to find out what were the sources of money which were feeding this speculative boom.

Then, Sir, unfortunately, the data that we got was in floppies and our people were not able to decipher it. And, therefore, we could not know for months as to how these transactions were being financed by this particular group of bankers. Even then, I asked the Reserve Bank Governor to pursue whether bank funds were illegally being used to finance these transactions. With my approval and explicit permission the Governor of the Reserve Bank met all the heads of financial institutions on the 10th of March. He asked them to look into leading stock brokers' accounts to see if something was wrong and it is out of that investigation that the Governor brought to my notice, some time on the 15th of March, that he suspected that bank funds from the State Bank were leaking to a particular broker.

I encouraged him to go to the root of the matter. That is how, Sir, all these investigations took place and it is how the scam came to the notice. I was not content with that, Sir. I decided to call the meeting of all the Heads of the Stock Exchanges in early March. But, Sir, I

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crave your indulgence to mention that was the period when I had to pilot the Budget; and the atmosphere last year was such that even before I could make the Budget, I was immobilised in this House, answering questions that I had leaked the Budget to the World Bank. I had to sit through, defending myself. But, even then, I called all the Heads of the stock exchanges, I discussed with them and I told them that the activities of the stock market and the behaviour of the stock market would bring the whole process of liberalisation into disrepute. I had, by that time, set up SEBI, I warned them that they will have to obey SEBI and that the Government will not brook any laxity on their part in not meeting with SEBI's directives, by which time SEBI had got all the powers.

So, Sir, this was my rôle during this period of nine months. It saddens me intensely to note the Committee's remarks in a sentence that the Finance Minister discussed all these matters in the meeting that he convened with the Stock Exchanges, but he did not discuss with them the prices at the stock markets. Sir, I have great respect for the Members of the Committee. But, I respectfully submit that it would have been highly foolish on my part to discuss it in the meeting of brokers where both bulls were present and bears were preset, and give them my views as to what I considered as the right level of the price index. If I had done that, millions and millions of rupees would have been made either by the bulls or by the bears. I discussed all the things which were wrong with the functioning of stock markets and which were feeding speculative activities. I did not open my mouth on prices deliberately and consciously because I thought that would be unethical and that I would not be worthy of being the Finance

Minister in giving the brokers what my idea of the right level of prices was. I thought that I should get some credit for this meeting and it saddens me immensely when the Committee says that it was sad that I did not raise the issue of prices in that meeting.

As I said earlier, I have great respect for this Committee. However, I do not plead guilty to another charge implicit in the remark that has been made that it is good to have a Finance Minister who does not lose his sleep, but something should wake him up when such cataclysmic changes happen. I became the Finance Minister at a time of grave crisis in the history of our country. Very few people gave our country three months to survive. They were predicting bankruptcy. With the guidance, with the approval and with the blessings of the Prime Minister, we met that crisis resolutely. Never, never in the history of India, in such a short period of time, a Finance Minister had to deal on so many fronts—a grave economic crisis, galloping inflation, collapsing fiscal system, collapsing balance of payments position, etc. I said on the very first day when I became the Finance Minister that we were in crisis, but we are going to convert this crisis into an opportunity.

That has been my ambition, with the blessings of the Prime Minister from day one. Within two months, I appointed the Narasimham Committee.

By November, 1991 we had a blueprint of the reform of the financial system. That reform process is now on.

Within a few months, I appointed a high-powered committee on the reform of the tax system. That committee's report has made ambitious proposals. They are under implementation. If implemented in a

three to four or five-year period, our country will have a new-look tax system.

In this very period, we mobilised a large amount of non-resident resources for India's balance of payments support. New investment policies were designed for foreign investment which generated a renewed confidence in our economy. But I did not allow all this to interfere or to neglect the fate of the financial system. What I have told you today is a vindication of that. Despite these and other numerous pressures on my time, I was fully alert that something was wrong with India's financial system, that, therefore, we must adopt basic remedial measures. At the same time, to the extent it is possible, we must deal with current problems. In July, 1991, we authorised SEBI to start inspecting all stock exchanges. The subsequent event was giving statutory powers to SEBI, in January, 1992.

Since then SEBI has not been very active in investor protection, in laying down codes of conduct for brokers, for other principal actors, in preventing the nefarious practices. For example, for 40 years, the pernicious practice of 'inside trading' has prevailed in this country. Those having inside knowledge have made fortunes at the cost of small and honest investors. We have stopped that thing.

Of course, the process of stock exchange reform which is under way will take time to be completed. In a few months' time, one of the best equipped national stock exchange will be in operation. A new stock exchange, Over-the-Counter Stock Exchange has already come into existence. So, I respectfully submit to you that in the light of what I have stated, I do not plead guilty to this charge that I was unconcerned or that I was sleeping or that I was using the rise

in stock market prices as a vindication of the Government's liberalisation policy.

Soon after I became Finance Minister, I was asked in my very first Press conference: "You are saying, our economy is going downhill, but the stock market is booming." I said: "A crashing economy and a booming stock market make no sense to me." I have repeated that thing in Parliament on a number of occasions that in all countries, stock markets fluctuate, that they can diverge from the fundamentals. Even today with all the knowledge that the West has, their Ministers of Finance do not know how to control a stock market. Therefore, to say that I was indifferent to the behaviour of the stock-market, because I took it as a vindication of the policies of liberalisation, I would respectfully submit, that it is not a proper appreciation of what I was seeking to do. It may be that I have not been successful in conveying this in adequate words to the hon. Committee. But I have this opportunity to render this explanation to this august House for its consideration for whatever its worth may be.

There have also been attempts to use some questions that were answered in Parliament to show that they bring out the relative lack of concern of the Finance Minister about the over-heated market. On the 28th of April, there was Parliamentary question and I read out the answer that was given at the time with whatever knowledge we had.

The answer mentioned:

"The general increase in prices of shares of companies listed on the stock exchange was mainly on account of expectations of investors generated by the improvement of overall economic environment and the rise in the level of foreign

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exchange reserves. Then, the relatively low level of floating of stock in the stock market and the excess of funds flowing into the market also contributed significantly to this increase."

About this excess of funds at that time, we did not know from where it was coming but by this time, we had recognised and we were aware that there were some hidden source of funds which were feeding this speculation. By way of refuting the charge that we were gloating over this rise in prices, I quote the remaining part of the answer which reads as follows:

"A healthy capital market is indicative of favourable investment climate and as such is conducive to the growth of capital formation. However, excessive fluctuations in stock market prices can give rise to undue uncertainty and dampen investors confidence."

This sentence itself will show that we were not using this rise in prices as a justification of our policy or that we were not concerned with what was happening in the market. Therefore, in the light of all this, the comment that the Committee have made is not proper. The Committee have said:

"The Committee are inclined to conclude that despite Ministry of Finance being aware of what was happening in the stock market it did not address themselves seriously to check the unhealthy trend believing this phenomenon to be a beneficial consequence of their policies. Even after holding the market behaviour as unreasonable, the Ministry of

Finance did not act decisively in this matter."

I would respectfully submit that this is, to put it mildly, not a proper interpretation of what we did. The moment we knew that bank funds were illegally flowing into the stock market, we pursued the link and that is how, in fact, the scam came to notice and once the scam came to notice on the 30th April, 1992, I announced in the Houses of Parliament the appointment of the Janakiraman Committee. In the second half, on the 11th of May, I announced handing over the these cases to the CBI. In the first week of June, 1992 the first report of the Janakiraman Committee became available. The Prime Minister directed me that this report should be processed at topmost speed and I think never in the history of India we took no more than three to four days to issue an ordinance setting up a special court which provided for such draconian measures as confiscation of property. After that, it is an open story. Having handed over these cases to the CBI, we had to follow the due process of law and therefore, the charge that we did not punish the guilty or the offenders requires some reconsideration.

With regard to the punishment of bank officials, as soon as we became aware of the irregularities, in the first week of May probably, I called the Chairman of the National Housing Bank. It is unfortunate that when I told him of what I was planning to do, he went back and died. In the same way, regarding the Chairman of the State Bank, although he was not involved, he was an honourable man but I asked him to go on leave. The Chairman of the United Commercial Bank was removed. We have taken action against several other people. The Managing Director of the State Bank of India was removed. We have taken action

against some of the top officials of Syndicate Bank and several other banks. But we have to follow the due process of law.

19.00 hrs.

I would like to submit that our banking system is today faced with a very critical situation. Discretion is inherent in the functioning of the credit system. If we lay down rigid rules, the result will be that no banker will do any work. And since we have a public sector banking, they will draw their salaries, but no credit will be delivered where there is any uncertainty. Therefore, while punishing the guilty, it is necessary to preserve the morale of the banking system. I cannot bring into this country men from Mars to run the banking system! My role as the Finance Minister is to use the material that we have in this country.

Therefore, on the 16th May, 1992, a few days after the scam broke out, I called all the bank chairmen and I asked them to have a look at their systems and procedures and to plug all the loopholes. But at the same time, I told them that no honest banker need be afraid and that if any honest mistake was made, I as a Finance Minister would accept all responsibility. I have been impressing that on the bankers right from that day. But I must admit to you that there is a great deal of demoralization in the banking system. Our banks are not properly functioning today. People are afraid to take decisions. They are afraid that whatever little they do in banking sector, it may be wrongly interpreted. This is because you can interpret even an honest decision in more than one way. I would like to submit that an administrative mind is very different from the judicial mind. If you are an administrator, you have to take a decision where you do not know all the facts and the shape of

the future. The future is inherently uncertain and it is quite likely that in some cases, in retrospect, what you do, may turn out to be wrong. But we cannot simply say that we will not take decisions. If one were to do a post-mortem, one can find many reasons why another course might have been more justified. But commercial enterprises and public enterprises cannot function if we do not encourage a culture of performance and ensure that honest mistakes will not invite punishment. And we have to do that since our Government is deeply involved in business and economic life of the country.

When I was a student at Oxford, Sir Paul Chambers who was the then Chairman of the Imperial Chemical Industries came and gave a lecture on good management. He said in the meeting, "The future is so inherently uncertain that out of every ten decisions that I take, if in retrospect, five turn out to be correct, my shareholders will consider that a satisfactory performance. If out of ten, seven turn out to be correct, my shareholders will consider that to be an outstanding performance." But if we have a system where you expect that a man may be right in nine out of ten, but in one case he makes a mistake, and you will have a knife in him, I think that sort of a system is not going to deliver goods. This is the crisis of Indian public sector. This is the crisis of the Indian banking system. While reforming the banking system, while reforming the financial system, we have to pay attention to this aspect of the problem.

I have noticed that somewhere in the Report, the Committee have quoted me out of context. Shri Indrajit Gupta is not here. He has said that what is wrong with me is my mindset. And the Committee has also quoted one sentence from a reply that I gave to a debate in Parliament

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in August 1991. But it did not quote me in full. Since they have chosen to quote only two lines of my reply, I crave your indulgence to read the full paragraph from my first budget speech in July, 1991 which sets out my mindset. I quote:

"Our strategy has been twofold, first to release the entrepreneurial spirit and animal energy of our businessmen, industrialists and entrepreneurs to create wealth and second to protect the weak and the poor from exploitation and to ensure that they are provided basic needs and opportunities for development."

"....The Government would now concentrate its effort in providing these needs, social services and decentralised rural development through the building up of a rural agro industry which will provide a large scale economic opportunity and employment in our rural area. Therefore, even as we open our economy and become internationally competitive in our industrial sector, we are also planning to intensify our efforts at poverty alleviation and rural development."

This was the mandate given by the Prime Minister. I further said:

"We are, therefore, evolving our own model for development."

Chandra Shekharji is not here. He accused me once again, he has been doing that for the last two-and-a-half years, saying that I am following the World Bank's model or some other foreign model. I said in the same budget speech.

"We are, therefore, evolving our new model for development. Our new economic strategy and the new model have to be rooted in our own culture, tradition and ethos which is based on persuasion and democracy."

Sir, this was the paragraph. But, one sentence of that is being quoted that the Ministry of Finance is encouraging this predatory instinct while the Government is upbeat, only on liberalisation and neglecting prudential regulation and the sentence ends:

"While the Government is upbeat on liberalisation, it is simply oblivious to the needs for regulation."

Sir, if you have paid any attention to what I have said, no Finance Minister has been more worried about having a proper regulatory system in recent years than I. I mentioned in the very first month when I came into office that our stock markets which had remained unregulated for all these years needed a strong Securities and Exchange Board of India. This Securities and Exchange Board of India has met strong opposition from vested interests, brokers. In these last two years I have thrown the full weight of my authority in ensuring that SEBI's authority is respected by all concerned.

We have, as I mentioned, by now evolved rules to ban insider trading. We have laid down rules for Mutual Funds inspections, for brokers inspections, for the control of activities of all principal actors in the stock market. This was never done before. In the same way, Sir, in the banking system the root cause of the scam, which is called a system's failure was something like this.

In the eighties, Government's fiscal system was bankrupt. Therefore, Government pushed these public sector enterprises to borrow in the market. But, because we had such a huge fiscal deficit, interest rates at which these institutions could borrow, were very high. So, in order to mitigate the cost of interest, the Government in the eighties, since 1986, introduced the phenomenon of tax free bonds. Now tax free bonds had to end up in the hands of foreign banks because the tax rates that we had for foreign banks are as high as 65 per cent. Therefore, they had every advantage to grab these tax free bonds.

We had a partially regulated system, a partially free system — water finding its own level. So, it provided incentives for unscrupulous people to find ways and means to misuse the system. And, what was the state of our banking system?

In our banking system, nearly 60 per cent of the bank resources were lent to the Government or to the priority sector at below market price of interest. So, the banks could not offer attractive rates to the public enterprises and, therefore, devices were found to circumvent the Reserve Bank's regulation. That is how this Portfolio Management scheme came into being. That is how this Ready Forward device came into being. Since the stock market was booming and banks were not authorised to lend large scale money for the stock market through the open window, they found a back window and the public sector enterprises became a willing accomplice in that. That was the basic systemic weakness and for the last two-and-a-half years we have been trying to correct precisely that weakness.

We have reduced the amount of money that the banks have to compulso-

rily lend to Government. We have raised the rates of interest that the Government pays to the banks on securities so that banks can earn profits in their normal activities so that they do not have incentives to indulge in these dubious ways to show better balance sheets.

We have, at the same time, laid down transparent rules for capital adequacy, for income recognition, for provisioning so that hereafter if banks indulge in any of these transactions this should be visible to the public so that they should not be able to get away by manipulating their Balance Sheets.

Sir, at the same time, after this scam came into being, we have learnt our lessons both in the management of the securities market and the management of banking system. The Reserve Bank and SEBI have taken active role in reforming the system. The Committee has recommended that the Reserve Bank should set up a Supervisory Board. We had taken a decision long ago but in deference to the wishes of the Committee we are now going to set up a new Board for Financial Supervision in the Reserve Bank. The Reserve Bank. The Reserve Bank has set up a new department of supervision to service the proposed Board for Financial Supervision. It has introduced a fresh Annual Financial Inspection combining the elements of both Annual Financial Report and Financial Inspection application to all banks. Regional Offices of the Reserve Bank of India will ensure compliance of these various guidelines by all banks. The Reserve Bank has set up a new Market Intelligence Cell. The Reserve Bank has now issued instructions that statutory auditors will henceforth verify compliance of all Reserve Bank guidelines by banks. The Audit Report will clearly bring about relevant deficiencies in the banks' operations relating to advances and investment

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portfolio. The Long Term Audit Report which was given in the past only for public sector banks will now be given in respect of all banks, including foreign banks.

Sir, a system of Concurrent Audit has been introduced for all large and exceptionally large branches of commercial banks to ensure that fraud and malpractices are quickly detected. As regards the reform of the Public Debt Office, the SGL operations at eight major PDOs of the Reserve Bank have already been computerised. Reconciliation is now carried out promptly and credit advices to buyers of securities are tendered the same day. This will minimise the scope for the bouncing of SGLs that came to notice in the course of the scam.

With regard to foreign banks about which Members have expressed concern, I would like to assure the House that foreign banks in this country will have to function within the four corners of laws of this country and if they have committed any irregularities, proper action will be taken against them. But at the same time, I want to lay emphasis that we are members of a civilised community, we will do everything to ensure fairness and equity and that we owe to ourselves as a proud nation. But this does not mean that foreign banks or any outside agency or the multinational companies have a licence to do whatever they like in our country. They will not be allowed to get away with any violation of our laws. As a preliminary to that, the Reserve Bank has carried out scrutinies of the securities transactions of foreign banks. In addition, special audit by external audits of four major foreign banks has been carried out. Profits of banks involved in securities irregularities in the year 1991-92 have been withheld. Irregularities have been

brought to the notice of their home country regulators.

Sir, all that I want to say is that both in the functioning of the banking system and in the functioning of the securities market, we have learnt lessons. A vigorous process of reform is under way and we will come back to this House in the course of the next three months, item-by-item our views as to how we propose to act on the various recommendations of this Committee.

In conclusion, once again I compliment the Committee. I do not want to go into the issues of whether it was a system failure or human failure. Both were at work. But, by and large, the Committee has recognised that there were serious deficiencies in the functioning of the system going back to at least 1986. We owe it to our country, we owe it to our people to redress those weaknesses and to take remedial measures and I can assure this House that Government is fully committed to doing that.

MR. SPEAKER: Well the debate is concluded and the Session is about to be concluded.

19.16 hrs.

VALEDICTORY REFERENCES

[English]

THE PRIME MINISTER (SHRI P.V. NARASIMHA RAO): Mr. Speaker, Sir, I am happy that one more eventful session has been completed and we are now about to adjourn. I congratulate all Members, present and absent right now, in the House for their very valuable contribution, not only in this particular