

SHRI JIBON ROY: I have given a privilege notice.

MR. CHAIRMAN: You did not ask me that you would speak today. I got your notice. I have sent it to the H.R.D. Ministry for comments. But, you have not asked...

SHRI JIBON ROY: Yes. I have asked. In my letter I mentioned that I wanted to raise it on 27th.

MR. CHAIRMAN: That is all right.

SHRI JIBON ROY: If you wish, I can raise it tomorrow.

MR. CHAIRMAN: I have already sent that to the Ministry of H.R.D. We want documents from them.

SHRI JIBON ROY: Sir, so far as privilege is concerned, we have a right, when a Motion is moved, to raise it on the floor of the House. *(Interruptions)*.....

SHRI NILOTPAL BASU (West Bengal): Sir, actually, it has been the convention in this House that when an hon. Member gives a Privilege notice and even when that notice is under the consideration of the hon. Chairman, the hon. Member is allowed to make a mention and it gets precedence over all other matters after the Papers are laid on the Table.

MR. CHAIRMAN: That is why I told him that we had sent the whole matter and we have to get documents from the Ministry, then only we can take up the matter.

SHRI NILOTPAL BASU: That is true. But he can mention it. That has been the convention in this House.

MR. CHAIRMAN: Anyway, he should take permission that he wanted to raise it. That is all.

SHRI VAYALAR RAVI (Kerala): Sir, you are good enough on the last working day to give a direction to the hon. Home Minister to make a statement on the floor of the House regarding the law and order situation in Delhi. Today, we have seen in newspapers that a bus has been blown up and the people have been killed. People are saying that we cannot go to bus stops. Sir, buses are being blown up. I believe, you had rightly given a direction to the hon. Home Minister to make a statement which gives us an opportunity to discuss the matter.

MR. CHAIRMAN: I was told that he is going to make some statement today. He himself has said this. Let us take up the Calling Attention Motion. Mr. Gurudas Das Gupta.

श्री संजय निरुपम (महाराष्ट्र): सभापति महोदय, कालिंग अटैशन से पहले मैं एक छोटा सा सवाल आपके सामने रखना चाहता हूँ और सदन का ध्यान इस ओर आकर्षित करना चाहता हूँ। दरअसल यह हम सांसदों के पेट का प्रश्न है। मैं बहुत पहले से सुन रहा हूँ कि हम एम.पी. लोगों की सैलेरीज़ बढ़ रही है, एलाउंसेंज बढ़ रही है। ...*(व्यवधान)* सभापति महोदय, एम.पी.जे. की सैलेरी हाईक करने के संबंध में सरकार क्या कर रही है, सरकार क्या सोच रही है ...*(व्यवधान)*

SHRI NILOTPAL BASU: Sir, we have also other points to raise... *(Interruptions)*...

MR. CHAIRMAN: Nothing today. Now it is time to take up the Calling Attention Motion ... *(interruptions)*... Mr. Gurudas Das Gupta ...*(interruptions)*... Nothing will go on record ...*(interruptions)*... No, I have called Mr. Gurudas Das Gupta ...*(interruptions)*... Let the Calling Attention Motion be over ...*(interruptions)*... Nothing. We have already told the Government ...*(interruptions)*... You need not raise it again ...*(interruptions)*... That have to do that ...*(interruptions)*... They were already told the day before yesterday or so ...*(interruptions)*... That is all right ...*(interruptions)*... Now, Mr. Gurudas Das Gupta ...*(interruptions)*...

#### CALLING ATTENTION TO A MATTER OF URGENT PUBLIC IMPORTANCE

Failure of a large Number of Non-Banking Financial Institutions all over the country to return public deposits amounting to over Rs. 50,000 crores and the action taken by — Government in regard thereto.

SHRI GURUDAS DAS GUPTA (West Bengal): Sir, I call the attention of the Minister of Finance to the failure of a large number of non-banking financial institutions all over the country to return public deposits amounting to over Rs. 50,000 crores and the action by the Government in regard thereto.

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): Mr. Chairman, Sir, the last few years have seen a rapid growth in the Non-Banking Financial Companies (NBFCs) and deposit-taking unincorporated bodies in

different parts of the country. NBFCs have been a part of our financial system for several decades. They have become prominent financial intermediaries in a wide range of activities like hire purchase finance, housing finance, equipment leasing finance, loans, investments etc. Because of the inherent higher risk in the operations of NBFCs instances of their failure have also shown an increasing trend. Such instances of failure have led to considerable loss being suffered by organisations as well as individuals who had deposited their savings with these NBFCs and bodies in the expectation of higher returns.

Prior to 1997 there were no entry-level norms and any two persons could set up an NBFC. As a result there were more than 40,000 such companies registered with the Registrar of Companies. 10,054 of them were submitting returns, and that too on an irregular basis, to the Reserve Bank of India (RBI). Only 832 such companies opted for registration with the RBI since registration was not compulsory at that time. The size of the sector which witnessed a mushroom growth from 1991 to 1996, wide variety of the NBFCs in terms of size and performance as well as lack of suitable statutory powers with the RBI made the regulation of this sector an extremely difficult exercise. Further, there were unincorporated bodies accepting deposits and offering unrealistically high rates of interest in addition to gifts of various kinds to prospective depositors. The deposit taking activities of NBFCs only were being regulated on the basis of regulations issued by the Reserve Bank of India (RBI). These regulations proved to be ineffective with the result that many NBFCs did not even report their operations to RBI. The prudential norms prescribed for the registered NBFCs by the RBI in 1994 were not complied with and the half-yearly returns were not being submitted by the most of the NBFCs. Most NBFCs did not go in for registration. In addition to high and unrealistic rates of interest, some NBFCs also offered gifts through brokers or agents to prospective depositors. The rate of interest being much higher than those offered by the banks persuaded many unsuspecting depositors to deposit their funds with NBFCs and unincorporated bodies, which were accepting deposits. In their endeavour to service the high rate returns offered, some

NBFCs deployed their funds in extremely risky sectors thus endangering the safety of the funds. The Joint Parliamentary Committee, which went into irregularities in securities transactions, had also stressed the need for effective regulation of NBFCs.

In order to improve the regulatory framework the Reserve Bank of India Act was amended in January 1997. Increased Powers were vested in the RBI. Unincorporated bodies were prohibited from accepting deposits for the purpose of lending.

Pursuant to the amendment the RBI has taken a number of regulatory measures and supervisory steps. The Bank has issued new NBFC policy in January 1998 in terms of which the NBFCs accepting public deposits should have at least investment grade credit rating and must comply with the prudential norms on income recognition. Accounting standards, asset classification, provisioning for bad and doubtful debts, capital adequacy and credit/investment concentration norms. The New Regulatory framework is expected to ensure greater protection to public deposits.

NBFCs are now required to go in for compulsory registration with the RBI. Ceilings have been imposed on the quantum of deposits which can be raised as well as interest rates which can be offered. I wish to inform Hon'ble Members that since January 1997, RBI has prohibited 35 NBFCs from accepting fresh deposits including renewal of deposits and from alienating assets of the companies.

If any NBFC fails to repay the deposits the aggrieved depositor can file a complaint with the concerned Regional Bench of the Company Law Board (CLB) under whose jurisdiction the registered Office of the company is situated. 13367 depositors of 109 companies filed their complaints to CLB in terms of section 45QA (1) of RBI Act. In 10589 cases companies have been directed to repay the principle and the interest. Complaints can also be filed with the Consumers Disputes Redressal Forum under the Consumers Protection Act. RBI can also launch prosecution proceedings against the defaulting companies. RBI has already appointed Nodal Officers at its Regional Offices for instituting the prosecution proceedings. RBI have filed winding up

petitions against five NBFCs in the concerned High Courts. Prosecution proceedings have also been launched against five companies. Such proceedings are being initiated against two more companies shortly.

Hon'ble members will agree that NBFCs have a significant role to play in the Indian financial system. There are some sectors which look to the NBFCs for finance since commercial banks shy away from financing such sectors. A healthy NBFC sector is a useful component of a strong financial system. It is our endeavour to work towards a healthy NBFC sector, which can be enabled to play its legitimate role in meeting the requirements of its clientele. For this purpose, reform measures would have to be gradual and undertaken in a phased manner. The introduction of very stringent norms in a sudden manner with immediate effect will cause hardship to even the relatively healthier and well-intentioned component of the NBFC sector. We cannot afford to throw out the baby with the bath water. The instances of failure of NBFCs should not lead us to tar them all with the same brush.

While the failure of few NBFCs cannot be ruled out even in an environment of strict regulations, it would be Government's endeavour to work towards a healthy NBFC sector with adequate disclosure norms and strict prudential stipulations so that the prospective depositors can take informed decisions while considering the option of placing deposits with NBFCs.

SHRI GURUBAS DAS GUPTA: Sir, I must confess that my friend Mr. Yashwant Sinha, has not done his job properly. He has narrated the steps the Government had taken and the decision that the RBI had taken. And the Company Law Board is supposed to look into the question of repayment of deposits. To what extent the Government, to what extent the new Ordinance and the subsequent legislation have been able to contain the irregularity. What he has been able to do?

That is the important and basic point. And the Government appears to be quite satisfied with the dose of legislation that has been passed. The Government is a continuous

process. As far back as in 1992, the Parliamentary Committee on Securities Scam suggested that something has to be done to discipline the non-Banking Financial Institutions. Sir, we submitted the report and the Government was silent. The government was silent for a pretty long time. During that period the irregularity continued unabated, therefore, the government has suffered from inaction. The Government's action was belated and the action that has been taken by the Government does not take care of the situation that we are confronted with. Why I say so? The basic point is that the default fault has to be fixed. The default fault in the system has to be fixed, that is the primary concern of the country. Secondly, the fly-by-night operators have to be prevented from carrying out their designs. These are the two basic questions the country is confronted with. The superannuated persons, widows, senior citizens, illiterates and semi-literate wage earners, are all being cleverly hoodwinked and they fall a prey to the temptation of having a higher return. These companies give post-dated cheques. In many cases, the cheques bounce. When the cheques bounce, the firms take to their heels. They fold up and they just disappear.

May I point out to my hon friend, who hails from Bihar, the condition in Bihar itself? In Bihar, 7400 non-banking financial companies according to my report—have fleeced Rs. 10,000 crores of the common investors in the state. This is the condition in Bihar. In Ranchi, in the industrial town of Ranchi, one non-banking financial company organised a midnight show for attracting deposits. They had—it is on record—spent Rs. 1.5 crores on this show.

In Delhi, twenty-thousand people have invested their hard-earned savings in various non-banking financial companies.

Who is the regulator, Sir? After a long consultation, the Government had found out that the Reserve Bank of India is the regulator. But the Reserve Bank of India does not have the authority, or, the Reserve Bank of India has not been given the authority, to tackle the claims for repayment. To get the repayment, a rickshaw-puller will have to come to the Company Law Board. To get the repayment, a farmer of West Bengal will have to come to the Company Law Board.

Now, what is the performance level of the Company Law Board? Not more than ten per cent of the Complaints had been tackled. I only wish my hon. friend looks into the statistics more carefully. My information is that only ten per-cent of the complaints have been looked into, or, they have been able to look into. This is the level of the infrastructure with the Company Law Board. Not more than ten per cent of the complaints they have been able to look into.

The police is totally ill-equipped in Delhi. In Delhi, the Crime Branch, which is a specialised branch, received 1000 complaints. The local *thanas* received 5000 complaints. There are only thirty-three officers. Therefore, it is absolutely difficult for them to look into the complaints as they come to them.

Sir, let me read out to you a letter written by one Mr. Kiarkanis, General Manager of the Reserve Bank of India, to a complainant. This shows how helpless the Reserve Bank of India is. When the Reserve Bank of India received a complaint about the non-payment of a deposit, about the default in repayment of a deposit, he wrote a letter to the complainant. What does the letter say? It says: 'We are advised that, under the existing regulatory powers at its disposal, the Bank (the Reserve Bank of India) is not empowered to compel non-banking financial companies to honour their obligations to the depositors. We, therefore, regret our inability to intervene in the matter'. This is the letter which the Reserve Bank of India writes to the people who write to the RBI on the question of realising the money deposited by them.

Why has the Reserve Bank of India been made so powerless? My third question to the hon. Minister is: is he aware that there are serious loopholes in the law that the Parliament had enacted? Also, why has the regulator not been invested with sufficient powers to force these companies to repay the money deposited with them? This is the level of the powerlessness of the Reserve Bank of India. Why was the law made like that? Why has the Reserve Bank of India not been given sufficient powers?

What is the result now? The result is that crores of rupees are being defrauded. This

happens in Bihar. This happens in West Bengal. This happens in Delhi, the point is: what is likely to be the fate of the common investors?

Sir, the country is going through a phase of financialisation. You will kindly remember one professor John Maynard Keynes, a leading economist of the World in the post-World-War period. He had said that there was tyranny associated with *status quo*.

"Tyranny of the Status Quo" was the subject he had pondered upon. Today we should say, "Recklessness of Reform and Anarchy of Reform." When the reform was launched, during that period there was a fantastic growth of non-banking financial companies. As on the 31st of March, 1992, the total deposit in non-banking financial companies had increased at a rate which was double the rate of increase of the deposits in the nationalised banks. The Government was aware of this. The Ministry of Finance was aware of this. They were aware of it that non-banking financial companies were multiplying. There was no transparency in their transactions. There was no disclosure. Two-thirds of those companies at that point of time did not submit their reports to the Reserve Bank of India, which they were called upon to do. There were unusual and misleading advertisements in the media. Even the State-owned television also carried the same campaign—"If you are interested to have more returns, go and invest in plantation companies." The complaints were mounting, and the litigations were increasing. Even then the Government closed its eyes. The Minister of Finance did not move. The Supreme Court judgement on the Peerless Company of West Bengal, expressed a deep concern. It was many years ago. The Government did not move.

Sir, it is after that there were a number of scandals, including those of CRB and JVG.

The total sum involved was not less than Rs. 1,000 crores. This country is known for scandals. We had the scandal of bank scams. After all that was done, after Parliament had discussed about it, after all that the Government had promised, there were continuous scams involving non-banking financial companies.

Sir, the Ordinance was issued in 1997. How many companies applied for registration? Thirty-five thousand companies applied for

it. What about those companies which did not apply for registration? More than 15,000 companies did not apply for registration. How is the arm of law going to touch the delinquent companies which have decided to carry on the business without looking for any legislative or legal permission? What will the Government do with regard to those companies which have not opted for registration?

Sir, the main cause of this economic misadventure is the so-called "prospect of a higher return." It is because of a higher return that people have invested their hard-earned savings in these non-banking financial companies. Does the Government not have any role to play in it? Can the Government not warn common depositors? Is it difficult for the Government to launch a campaign in the whole country, telling people how dangerous it is to put in their savings in these so-called "non-banking financial companies"?

It is the corporate houses which have launched these companies. A number of corporate houses have launched these companies. Can we name them? One is the Reliance Capital Company. Another is CET, launched by the RPG, a Calcutta company. Why have these companies been launched by these corporate units? These companies are being launched by the corporate units in order to launder their funds. They raise funds from the market. The funds are not utilised for making any productive investment, and the money is diverted to non-banking financial companies to earn a higher profit. What is the Government going to do with regard to the laundering of the funds deliberately being done by non-banking financial companies to make profit and, in the process, to starve the productive projects of the country? What is the Government going to do with regard to that? The statement of the hon. Minister is completely silent on this growing anachronism affecting the vitality and resilience of the economy.

Where does the money go? The hon. Minister speaks high of the role of non-banking financial companies. Where does the money go? Where are the funds being invested?

The funds are being invested in real estates, the funds are being invested to play in the

stock market, the funds are being invested to give loans to their group companies, which is in utter violation of the Company Law. The non-banking financial institutions floated by the corporate units, which accept deposits from the public, give loan to their own companies. Therefore, Sir, it may not be all, but most of the units are involved in irregularities and unproductive business adventure.

Sir, the hon. Minister has not told us about the total amount of deposits in the non-banking financial companies. Let me share with the hon. Finance Minister that the total deposit today in the non-banking financial companies is more than Rs. 75,000 crores. Out of that, Rs. 24,000 crores belong to the common people of India. Out of that Rs. 24,000 crores, according to my estimate, not less than Rs. 15,000 crore has already been defrauded. Let the hon. Minister tell us the total amount that has been defrauded.

Sir, so weak is the law, so fragile is the monitoring system and so ineffective has been the Government that even in the case of CRB; money has not been returned even after so many months. Therefore, the question remains, how is the Government going to go about and who is going to monitor?

Sir, I refuse to accept that the Reserve Bank of India should be a regulator. It has, of late, turned into a white elephant. It has become unwieldy. Too much work is being given to the Central Bank beginning from the management of foreign exchange down to the monitoring system. Everything is being done by RBI. Why should it be burdened with an additional responsibility of looking into the functioning of non-financial companies? Why can't there be a separate agency? Why should there be a diarchy. The same agency that looks after the functioning of the non-banking financial companies, should also take care of the complaints that are being received from the depositors. Therefore, Sir, I would like to know, firstly, why there cannot be a separate agency. Secondly, not only should there be a separate agency, but the State Governments also should be involved. If you want to discipline the non-banking financial companies, whose numbers are increasing in the country, you cannot do it sitting in Delhi. There must be an effective cooperation with the State Government and the State Police

administration. Therefore, Sir, I suggest (1) let there be a separate agency; (2) let the State Governments be involved. May I also know from the hon. Minister one more thing? There is another category of non-banking financial companies, which are coming up very rapidly. Sir, he is extremely silent on this. His silence is conspicuous. I would like to know about the plantation companies. Sir, there are companies in the country, who are advertising on the television saying; you pay us Rs. 1,000/- and get back Rs. 1,00,000 after 50 years. It has been very systematically and ceremoniously spread on the small screen. What has happened to the Government? Should not there be any curb on irresponsible advertisements being carried on television? Sir, we discussed this in the Standing Committee and we suggested to the Government that there should be an immediate ban on this. But, till now, no ban has been imposed. Sir, I do not know how the Government is functioning. What is its response? Why is it so inert and so insensitive? Why does it lack initiative? The plantation companies are 500 in number in the country and their total deposit today, let me share with the hon. Finance Minister...

SHRI YASHWANT SINHA: Just one minute, please. Sir, I wanted to rise at this point of time, because the question of plantation has been raised, about the scope of the debate on Calling Attention. Plantation companies are not directly NBFI's. We can have a discussion on this. I have all the material. But, I would like to go by your ruling. Plantation companies are engaged in agricultural operations. They are regulated by a separate set of regulations.

It is regulated by the SEBI. It is a separate set of regulation. That is why I have not covered plantation companies in this statement. I think to bring in plantation companies, it will be outside the scope of this debate.

MR. CHAIRMAN: That is all right. ... (interruptions)...

SHRI GURUDAS DASGUPTA: I am not branching out. I am only speaking on a growing social evil affecting the vitality of the economic system of the country. I wish the hon. Finance Minister had been a little tolerant. I can share my information with him so that the Government is not late again in

taking a stand, a decision. Let me share my information.

Sir, plantation companies are all a fraud. The money is to be deposited today, and the money would be returned after fifty years. In that case, nobody will be able to find out where the land is. Nobody will be able to know where the fig tree has grown. Nobody will be able to find out where the manager of the company is. It is a fraud. Should the government allow such a fraud to continue and perpetuate while taking advantage of the Government's electronic media? Why can't there be a ban immediately? Why should it be left to the SEBI? The SEBI is doing all the job that it is supposed to do. Why should you burden the SEBI with a little more responsibility? Let us set up another system, another agency to take care of the delinquency, but not the RBI, not the SEBI and not the Company Law Board. Let there be a separate agency because more than Rs. 1,00,000 crores is involved. Some millions of small depositors are involved. An illegal thing is being perpetrated. Let there be another agency. Therefore, there should be an immediate action. The Law that has been enacted by Parliament should be given a few more teeth. The RBI should be liberated from its responsibility.

MR. CHAIRMAN: You have already taken much time.

SHRI GURUDAS DAS GUPTA: Sir, I am just finishing. The law should be amended. The law should be given more teeth. There should be a separate agency. The State Governments should be involved. There must be a curb on irresponsible advertisements regarding plantation companies being carried on the Government's own electronic media.

Lastly, I submit, let the Government take into consideration the growing human distress arising out of the financial default. It is a question of growing human distress.

Let the hon. Finance Minister look into it and take more steps than what has been taken so far to protect the common and small investors in the country; otherwise, the psychology of saving, otherwise, the general investment climate in the country, otherwise, the general economic climate in the country, is going to be severely affected. Thank you.

SHRI K.R. MALKAfcll (Delhi): Mr. Chairman, Sir, we have heard the hon. Pfnance Minister"and our good friend, Shir Gurudas Das Gupta. I dare say what has happened in connection with non-banking financial institutions is a bigger scandal than the securities scam. The securities scam beasically affected the Government, big banks and big companies. This has affected millions of common men.

Sir, the story goes back to almost 30 years, right in the sixties. The Finance Ministry advised the Reserve Bank of India, to "effectively supervise,-contro] and regulate the non-banking financial companies." The RBI did nothing. It took the RBI years to discover that under the RBI Act thsy did not have any such power to supervise non-banking financial company. In 1992, the RBI appointed a working group. This group was led by Mr. A.C. Shah. It recommended that the functioning of the NBFC on sound lines must be ensured. Again for another five years, nothing hajjpened. It was otAy in 1997 that the old Reserve Bank of India Act, 1934 was amended. This Act provides, under section 45, (!) (a), "that the Reserve Bank of India can direct the deple^raent" of NBFC fnn^; and if these instructions, dircettves are not follow8«3— conxpanies are bound to follow it— and if they do not, there would be a penalty for them, a fine of Rs. 5 lakhs and may be a )eil term up to three years. Today, the Reserve Barvk of India disowns all resposability in the matter. As my good friend, Mr. G»rudas Das Gupta, has already quoted, they say, "We are helpless. You go tcj the consumer court or the Company Law Board," This is no way for a responsible organSation like the Reserve Bank of India to behave. Many c^iestions arise. Why was the Finance Ministry er th« Reserve Bank of India inactive for 30 long years? Why did they take 30 years to amend the law? I would like to know whether the Reserve Bank of India has issued any instructions to any Non-Banking Financial Companies the nature of this advice, and vdiat the compliance or non-compliance has been and what the penalty has been, if any. When this Act talks afeout (fie penalty of Rs. 5 lakbs, I think it is a very i ^eniel joke. For NBpC's, these are not even five peanuts. I dare say that people who steal

the common man's hundreds and thousands of crores of rupees should have their property confiscated. I entirely agree with my firend, Mr. Gurudas Das Gupta, that there must be more teeth in the Act. Another penalty is 'three years in jail'. Does any rich man ever go to jail? If some of themper c/iance land up there, they convert the jail cell into some kind of a mini-five-star hotel room. I repeat that the Act should have teeth and the people whe grossly, mishandle people's money should have their property confiscated.

There is another question. The Tamil Nadu Government recently introduced the Protection of Interests of Depositors Act. Why is it that the Reserve Bank of India objected to that Act? Why is it that they insisted that the NBFCs should be excluded from the operation of this Act? What was the rationale? Sir, in 1997,37,478 leasing companies applied for registration. Less than 9,000 were found eligible. What happened to the rest? Do they exist or are they dead? Are they legal or are they illegal? Docs the Government have no responsibility in this matter? Should not all deposits be insured? Should not there be a scheme for insurance of deposits?

Sir, I come to another related matter. Two years back, a company known as the 'DCM Financial Services' launched a scheme called the 'Bills Discounting Scheiae'. The minimum deposit was Rs. One lakh. You had to deposit only for three months and you get an interest rate of 17 or 18 per cent. Recently, the matter went before the Company Law Board. The Company Law Board said that the whole scheme was "irregular" there upon the DCM Fi&ancial Services said, "We have no such scheme." The scheme is there. But they deny and nothing happens. My related question is thisu The DCM name commands a certain respect ifl Delhi. It is the oldest, mast respected, company in Delhi. When something is called 'DCM this' or 'DCM that', people invest their money. Is thcK no law of copy right within this country? Can anybody get himself registered in anybody's name? Can they misappropriate any initials?

I would suggest, I would beg of the Government to consider, either they should implement the law in letter and spirit and

effectively supervise, regulate and control all these companies or they should say that they have nothing to do with these, these are lotteries. Let them say that. But this is no way. In conclusion, I would only say that the Government must come out with a comprehensive white paper on the subject as to what is happening, how and why. Thank you very much, Sir.

MR. CHAIRMAN: Shri Jayant Kumar Malhotra. Not there. Shri Rahman Khan.

SHRI K. RAHMAN KHAN (Karnataka): Mr. Chairman, Sir, I join my colleagues in expressing the anxiety the depositors with the NBFCs have. Sir, the history of the NBFCs is a chequered one. And it is a tragedy that even today, we have no proper or effective legislation on the NBFCs.

It was only in 1997 that the Banking Companies Regulation Act was amended. Under section 45 of the Act, certain regulatory measures were adopted by the Reserve Bank of India to regulate the NBFCs. Sir, the entire issue of the NBFCs has been tackled right from the very beginning in a fire fighting manner. It is true that these institutions have been existing not only for the last thirty years but right from the beginning. We used to call them chit fund companies and so on and so forth. There was absolutely no regulatory authority whatsoever and it is impossible to have a regulatory authority because these companies are operated by the individuals. The hon. Finance Minister has rightly said that there are incorporated companies and there are unincorporated companies. The unincorporated companies will not come to the notice of the Government at all. The argument that the Reserve Bank had no regulatory method is not true. As far as I remember, there is a system of the Non-banking Financial Companies Department functioning with the Reserve Bank of India for the last fifteen to twenty years and once they come to know that the Registrar of Companies has registered a financial company, they used to ask the financial company registered with the Registrar of Companies to register itself or to file a return. But that regulation was not effective. Where did the system fail? Earlier, as per the directive

of the Reserve Bank of India, no non-banking financial company could give an interest which was more than the interest offered by various banks. They can only offer an interest which was one per cent less than the interest offered by banks. If the Reserve Bank of India had strictly implemented this directive, probably, we would not have seen this day. We do not know the compelling reasons which compelled the Reserve Bank of India to withdraw the said directive. In spite of this directive, various advertisements promising a return of 24 per cent, 30 per cent or 40 per cent were coming in almost all the newspapers. At that time, no notice was taken of this thing by the Reserve Bank of India to immediately check this tendency. Under section 58A of the Companies Act, even if any registered incorporated company had to accept deposits from the people, they will have to advertise it in the newspapers. The advertisement has to be filed with the Reserve Bank of India. In spite of all these regulations, we have failed. It is our duty to find out the reasons for this failure. According to the Reserve Bank of India, in 1995-96, there were 12,530 companies which were holding a deposit of Rs. 53,479 crores. This deposit is called a regulated deposits. They have got the exempted deposit of Rs. 2,41,864 crores. So, the growth of deposit from year to year is very high. Sir, the problem is not as simple as we see it. It is a very serious problem which has led to a panic driven situation. Suppose, the Reserve Bank of India, all of a sudden, because of all these things frames a regulation overnight, then what will you do? In 1997, they had brought a resolution. These companies have been in existence for the last thirty years but they have not been controlled. I fully endorse the views expressed by my colleagues. But that is not going to solve the problem. If a fire fighting type of step is taken saying that you prosecute all the companies by tomorrow, it is not going to solve the problem of the depositors. It is not going to solve the problem of lakhs and lakhs of depositors. It is not an emotional decision that something has been said.

There is no Act, there is no legislation. I fully agree with Mr. Gurudas Das Gupta that this is much more serious than the Banking

Companies (Regulation) Act. The time has come when the Government should have Sin Act similar to the Non-Banking Companies (Regulation) Act. We should enact an Act, the Parliament should enact an Act. Sir, the Reserve Bank will not be able to control their activities because it is only a monitoring agency. It will have to control the finances of the country. There is a mushroom growth of 40,000 or 50,000 companies. How can we expect of the Reserve Bank to regulate their activities? The Reserve Bank doesn't have the machinery to regulate them. The Company Law Board has not got the machinery. It is only a registering authority. It can only prosecute a company, it can only wind up a company. We are absolutely in a vacuum. As far as the Non-Banking Financial Companies are concerned, the Reserve Bank under the present law is not able to regulate them, the Company Law Board under the present law is not able to regulate them. But it is a fact, as the Finance Minister has stated, that these institutions have come to stay; they are playing a role in our economy. Crores and crores of rupees have been invested in them. What will be the fate of the depositors if, all of a sudden, these Companies are allowed to close like this? If some persons, say 10, 20, 40, 100 or 240, working in the Non-Banking Financial Companies are prosecuted, is that going to be a solution? That is not going to be a solution. So, the Government has to very carefully look into this problem. It is not a fire-fighting operation that we just send a firefighter to extinguish the fire. It has to be carefully examined. I request the Finance Minister that a team of experts should be constituted a new Act should be brought in and not all the Non-Banking Financial Companies should be closed; only some of them should be closed. It is a very complex problem. So, there should be a separate legislation and there should be a separate regulatory body. Then only can this problem be solved. It is not just an issue of Rs. 50 crores. According to the RBH published data, exempted deposits and regulatory deposits-exempted deposits are also public deposits—amount to Rs. 2,41,864,000 crores. What has been done in the 1997 Act? The hon. Finance Minister has said in his statement that out of

40,000 odd companies, only 12,530 have filed their returns to the Reserve Bank of India data. But how many people have chosen to apply for registration under the new regulation? It is only 832! Why? It is only because those 832 odd companies will not be able to comply with the rules and regulations that the RBI has stipulated in the new legislation. If, all of a sudden, the Reserve Bank of India asks them to shut down all the 10,000 companies, to close all the 10,000 companies, only 832 companies who have opted for registration are left. What about those 10,000-odd Non-Banking Financial Companies? They have not applied for registration. They will say, "We will close them." Then what about the refund? What about the money they have invested? Yes, it is true—I fully agree—that they have diverted their investment. The investment has not gone into productivity. How are you going to review those investments? What mechanism has the Government got? Sir, this is a very complex issue. The Government has to take a serious note of it. It has to come to the House with all facts and figures. The Parliament alone can sort it out. The RBI and other agencies cannot sort out this problem. The Parliament alone can legislate, and it can make an effective legislation mid it can devise a new monitoring system for regulating those Companies. Thank you. Sir.

SHRI A. VIJAYA RAGHAVAN (Kerala):  
Mr. Chairman, Sir, these depositors who have deposited their money in this kind of institutions are expecting a concrete assurance from the Government. While the hon. Minister has made today a statement in the House, that statement is not capable of helping the poor depositors who have deposited all their life's earnings in this kind of institutions.

Sir, actually this mushrooming of non-banking financial institutions is a by-product of the new Economic Policy. After the implementation of the new Economic Policy the non-banking financial institutions began to mushroom and now there are thousands of such institutions. If you go through the statement, you will find that we don't have sufficient mechanism to check the day-to-day affairs of this kind of institutions. How are

they functioning? In my State these companies are known as "blade companies", icilling the man by a blade. There is mercy killing. There is soft killing. So many kinds of killings are done by this kind of Institutions. *Nov/* we are talking about the depositors who are losing their money. If you go and take a loan from this kind of Institutions, what would be the fate? We have bitter experiences. If a middle-class person goes and takes some money from this kind of institutions, nobody knows what the interest rate would be. It may be 120% and, sometimes, it may be 200%. I have a bitter experience. One of my friends went to this kind of a\ institution and took money for constructing a house. Ultimately, what happened? The interest began to multiply and he was forced to sell his house. Actually, he went and took the money for the purpose of building a house. Now he lost his house because of that blade company. I can tell you. Sir, another bitter experience. One businessman took money from one blade company. When the interest began to multiply he sold his entire business firm. Even then he couldn't give back the amount. One night the blade company people came to the businessman's house and toW him, "Now you are not able to give back the money; give your wife". On the same night the entire family, the husband, the wife and the kids, left the house. They went to the railway station and jumped before a running train. What a tragic thing! There was a car behind them when they were boarding the bus. When they reached the railway station they jumped before a running goods-train. The entire family died. There were persons who were following them. They were near the railway tracks. They ascertained who were those persorK who were killed. After that they went back. One autorikshaw driver who was a witness to this incident told me this. These are the tragic incidents which are going on in our country. Unfortunately, the Government has no mechanism to check the functioning of this kind of institutions. When this Government decided to regulate the activities, in May, 1998 they *emne* with the guidelines to professionalise the activities of this kind of institutions. They announced more concessions to the hire-purchasing institutions. Tliis kind of activities are there

in the automobile sector. In my State of Kerala we are not regularly permitting this kind of institutions.

Most of them are registered either in Faridabad or in Tamil Nadu or in Kashmir. The Tamil Nadu-based institutions are working in the rural areas of Kerala. You see how they are intervening in the day-to-day activities. For example, if yon waat to buy a bus, you will get the assistance from the Tamil Nadu institutions. If you want to buy an autorikshaw, you have to spend Rs. 26,000 more because all he Bajaj autorikshaws have been taken by these people. It is the common man who buys an autorikshaw. A rich person will not go and buy an autorikshaw. The Finance Minister should look into this matter seriously. If a common man wants to buy an autorikshaw for self-employment, he has to give Rs. 20,000 more to this kind of institutions.

Then only he will get an autorickshaw. There is the same thing in regard to buses. My concern is about law and order. How are they collecting money? Actually, these people are neo Shylocks. They are collecting money from the common people. That money is used in rural areas and small town\*. They send hoodlums and goondas for collecting money. This is the problem. If someone is not able to give money on the due date, the next day goondas will go there and capture him. It has become a law and order problem. Mafias have also been involved with this kind of institutions. They are collecting money for them. These institutions are not giving loans and collecting money just like banks. What they are doing is this. Getting loan from them is very easy. But the collection is done in a different way. They are sending goondas and mafias to collect money. In many cases shooting has also taken place. This kind of things are gCing on. There is a need for strict vigilance on tihis kind of things. Unfortunately, that is not there in our country.

Shri Gurudas Das Gupta just now mentioned aboi»t plantations. The Finance Minister expressed his difficulty in addressing this issue. Actualy, there are so many advertisements. I would like to refer to one advertisement. If ybu buy a certificate of Rs.

1000/-, we would buy a goat for you. After six months there will be four goats. Then after further six months there will be 16 goats and after one and-a-half years there will be 144 goats. In this way Rs. 1000/- will multiply.

There are this kind of advertisements. The such kind of advertisements are coming, somebody has to ask, "What would be the fate if that goat dies?" There are such kind of advertisements that you give Rs. 1000/- and there will be so many goats and your money will multiply. Somebody has to intervene and put a question. If the goat dies, what will be the fate of entire investment? Who should put this question? The Government should put this question. We should help the common man against this kind of malicious standards of advertisements. But that is not there. In my own State there was *mangium* plantation. What they have done is they have organised a beauty contest. All the beauty pageants came there. Finally they were given one *Mangium* certificate. All the women who participated in the programme got one *mangium* certificate each. Ultimately, the police caught that person. This kind of cheating was going on. Sir, this kind of things are going on in this country. The Government should give due importance to this matter. There should be a strict regulation. Unfortunately, that is not there. They are lending this money to the people living in rural areas. Sir, the other day we were discussing about suicide committed by farmers in Andhra Pradesh and other States. What was the main reason? The money lenders are the main reason. How do they intervene in our day-to-day life? They are intervening in each and everything, in seeds, in fertilizers, etc. Why are this kind of things going on in this country?

There is one more thing. Our Government and our banking sector should go to the grassroot and help the peasants and the common man. But nobody is doing it. Because of the failure of the existing banking system there is mushrooming of this kind of institutions. They are squeezing the blood and

the common man by misusing that money. Have they ever invested this amount for productive purposes in this country? Have

they ever created employment for the common man, for the unemployed youth? By using one lakh crores of rupees we can provide employment thousands of unemployed youth. We can help the peasants and poor people. This money has never been used for that purpose. Unfortunately, the Finance Minister has not applied his mind towards this kind of serious issue.

1.00 P.M.

Therefore, my suggestion is that the Government should fix some responsibility on some people. If a common man loses his money, who will give him back the money? He should tell the House, tell the country, as to who will be responsible!.. The common people are depositing their money in these financial institutions. These companies are helped by the Reserve Bank of India. They are under the control of the RBI. And the people should get their money back. This has to be ensured. Who will be made accountable for this? Some personal accountability should be there. You have to catch hold of the person who is responsible for this kind of a thing. Secondly, the Minister is saying that after depositing their money, the people should go to the Company Law Board to collect their money. It is a very difficult thing for a common man to do this. The people who deposit their money are mainly teachers or retired Government servants. They are putting their money in these companies so that they may get two per cent more interest. There should be special tribunal in every State other than the Company law Board to look into these cases. Thirdly, I would say that the Reserve Bank itself is the main culprit. They know that this kind of institutions are coming up. The number is increasing day by day. In the last two or three years, they remained a silent spectator...

MR. CHAIRMAN: Just a minute. It is one O' Clock now. After this

Calling Attention Motion, we have a Short Duration Discussion and a Half-an-hour Discussion. I think if the Members agree, we can sit through the lunch hour and finish this.

SHRI S. VIDUTHALAI VIRUMBI: We all agree to it.

MR. CHAIRMAN: Yes. Mr. Vijaya Raghavan, you continue.

SHRI A. VIJAYA RAGHAVAN: The Reserve Bank is fully aware of the fact that there is no mechanism to take action against these institutions. They did not take care about that. So, my suggestion is that one Deputy Governor of the Reserve Bank of India should be made in charge of looking after the affairs of the non-banking financial institutions. Thirdly, my suggestion is that regarding day-to-day activities of non-banking financial institutions, they should not do business more than four fold of their equity share. These are the suggestions that I want to put before the hon. Finance Minister. I hope that he will do something for the investor.

**श्री सतीश प्रधान (महाराष्ट्र):** सभापति महोदय, मैं आपका आभारी हूँ कि इस विषय पर आपने मुझे बोलने का मौका दिया है। महोदय, मैं स्वर्ष इस विषय से संबंधित मुद्दे मैंने आपके सामने रखे थे, उन्हें मैं दोहराना नहीं चाहता लेकिन कुछ मुद्दे आपके सामने अवश्य रखना चाहता हूँ। ये जो हाऊसिंग फाइनेंस कंपनियाँ, कार फाइनेंस कंपनियाँ, ऑटो फाइनेंस कंपनियाँ या चिट-फंड बनते हैं, जिस ढंग से पैसे इकट्ठा किए जाते हैं और जिस ढंग से इन कंपनियों का निर्माण होता है, अभी मंत्री जी ने बताया कि 40,000 से ऊपर ऐसी फाइनेंस कंपनियाँ यहाँ खड़ी हो गई हैं। उन्होंने पैसा इकट्ठा किया लेकिन उनके ऊपर कुछ भी कंट्रोल नहीं रहा और जिसके दिल में जो आया, उस ढंग से यहाँ व्यवहार हुआ और यह पहले से चलता रहा। बीच में यहाँ बहुत बड़े स्कैम्स हुए जिनके बारे में दोनों सदनों में हंगामा हुआ, चर्चा हुई और ज्वाइंट पार्लियामेंटरी कमेटी एपॉइंट की गई लेकिन उससे कुछ सतर्क सीखने की आवश्यकता थी और सतर्क होने की आवश्यकता थी, कुछ कार्यवाही करने की आवश्यकता थी लेकिन खेद है इस दिशा में सरकार ने अभी तक कुछ भी कदम नहीं उठाए। और इसीलिए यह चलता आया है। अभी-अभी जो मैंने बात कही थी और फाइनेंस बिल पर बोलते हुए भी मैंने बात की थी। जे.वी.जी. कम्पनी और हैलियर ग्रुप के बारे में भी मैंने बात की थी। सर, मैं बताना चाहता हूँ कि दिल्ली में हो, कलकत्ता में हो, उत्तर प्रदेश में, बाहर या देहातों में झुग्गी-झोपड़ पट्टी में रहने वाले लोगों के पास इन कम्पनियों के एजेंट जाकर पहुँच गए और एजेंट भी ऐसे ही मीडियम क्लास के लोग, मिडिल क्लास के लोग थे और वह भी झुग्गी-झोपड़

पट्टी में रहने वाले थे। उन्होंने वहाँ जाकर लोगों को बताया कि इन कम्पनियों की ऐसी-ऐसी स्कीमें हैं जिसमें आप पैसा इन्वेस्ट करो तो आपको ज्यादा मुनाफा मिलेगा और इससे लोग लालच में आ गए और इस ढंग से लोगों के पास से इकट्ठे किए गए। इस किस्म के डिपोजिट पर न रिजर्व बैंक ने कंट्रोल रखा और न सरकार ने कंट्रोल रखा। सर, मैं बताना चाहता हूँ कि जो डिपोजिट इकट्ठे किए गए थे उनमें फिक्स डिपोजिट थे, शॉर्ट टर्म डिपोजिट थे, रैमरिंग डिपोजिट थे। इस तरह से लोगों के पास से डिपोजिट इकट्ठे किए गए। इसके बाद जब लोगों को रिटर्न देने का समय आया तो कम्पनियाँ अपना कारोबार बंद कर गईं। मुम्बई में-थाना में जिस गांव से मैं आता हूँ वहाँ कम्पनी ने अपना एकाउंट बंद कर दिया, दिल्ली में भी बंद किया गया। जब पहले वित्त मंत्री चिदम्बनम साहब थे, मैंने उनको लिखा था कि ऐसी-ऐसी हालत हो गई है, क्या करना है? उन्होंने मुझे पत्र लिखा और रिजर्व बैंक का पत्र उसके साथ में भिजवा दिया और कहा कि कम्पनी लॉ बोर्ड के पास इस विषय को लेकर जाएँ और जब वहाँ कम्पलेंट होगी तो उनका पैसा वापिस मिलेगा। मैंने कम्पनी लॉ बोर्ड के पास इन लोगों को भेजा। वह थाना में रहने वाला है या कलकत्ता और बिहार में आदमी रहता है जिसका डिपोजिट इन कम्पनियों के पास है। लेकिन हैलियरह ग्रुप और जे.वी.जी. कम्पनी का हेड ऑफिस इधर है। कम्पलेंट देने के लिए उसको दिल्ली में आना पड़ता है। दिल्ली में कम्पनी लॉ बोर्ड में उसको खड़ा रहने की जगह नहीं है, वहाँ उसको कोई एंटरटेन नहीं करता, न उसका कोई मार्ग-दर्शन करता है। वहाँ उसकी एप्लीकेशन लेने के लिए भी कोई तैयार नहीं है और इस वजह से लोगों की बहुत बुरी दुर्दशा हो गई है। जो इन कम्पनियों के एजेंट थे वह अपने घरों पर रह नहीं सकते, क्योंकि जिन्होंने इनको अपने डिपॉजिट दिए थे वह दिन-रात इनके घर का दरवाजा खटखटाते हैं इस कारण वह घर पर नहीं बैठ सकते। इस प्रकार डिपॉजिटर बैचन हैं कि हमारे डिपॉजिट का क्या हुआ। इससे हिन्दुस्तान में जगह-जगह बहुत बुरी तरह का माहौल खड़ा हो गया है। सरकार को इस विषय में ठोस कार्रवाई की आवश्यकता है, नहीं तो इस मामले में कुछ होगा नहीं।

मैं आखिर में एक बात और बताना चाहूँगा। मैं वित्त मंत्री जी का स्वागत करूँगा कि वह इस विषय पर कुछ स्टेप लेने की सोच रहे हैं। इसमें अभी कार्रवाई की आवश्यकता है, उस ढंग से आप आगे कदम उठाएँ, यही मैं आपसे विनती करता हूँ। धन्यवाद।

SHRI N. THALAVAI SUNDARAM (fa  
Nadu): Mr. Chairman, Sir, as far as non

banking financial institutions are concerned, section 58 of the Companies Act stipulates that each company must file a return before the Reserve Bank of India and the Company Law Board. The Reserve Bank of India has not been taking care to see to it whether these non-banking financial institutions are complying with these provisions and filing their returns properly or not. Similarly, the Company Law Board has also not been taking care to see to it that these returns are properly filed by these institutions. Sir, the present Chief Minister has introduced a Bill in our State.

Sir, a lot of representations have been made against some finance and leasing companies before the Commissioner of Police. One of such companies is Seven Star Leasing Company. All these companies are being run by some political people. I am not mentioning the names of political people here. As far as our State is concerned, even in the last month some people made a representation before the Commissioner of Police, the Company Law Board and the Reserve Bank of India. Till date, no action has been taken against that leasing company. I want to know whether the Reserve Bank of India has any role against these non-banking financial companies or not. I can say that there is a lacuna in the law. The law states that if a person is going to apply in a non-banking company, then he must apply before the RBI and the Company Law Board. The former Finance Minister clearly mentioned before this House that if a depositor was not getting his money back, then he should approach the Company Law Board. Sir, some of these companies are located in Chennai. But, there are companies whose headquarters are in Mumbai. If a person approaches the Company Law Board, then he won't get a single paise because it is a long process. I request the Finance Minister to amend the law. An investor doesn't know when he is going to get back his money.

Sir, as far as our State is concerned, there are a number of non-banking financial companies. Which are financing for housing, real estate business, etc. I request the Finance Minister to, at least, amend the law so that these poor people can get back their money.

Sir, my second point is this. As on 31.3.96, there were 3,86,415 non-banking financial companies in our country. The number of financial companies at that time was 34,483. Most of the money is deposited with these non-banking financial companies, but they are not paying the money to investors due to losses suffered by them. Sir, section 45 of the RBI Act talks about ban to file winding up petition against any non-banking financial company which is unable to pay its debts. It also adds that if a non-banking financial company fails to meet any lawful demand for payment within five working days of depositor's making a demand in any of its branch, the company would be deemed to be unable to pay its debts. I request the Finance Minister to amend this section also. Even Section 45QA, which RBI is now quoting while asking investors to approach CLB to order repayment, provides for the board to take action on its own. How long will it take? I want to know whether the board will dispose of all applications immediately. I think it is not possible for it. As pointed out by my learned friend Shri Vijaya Raghavan, the Deputy Governor of the RBI should be asked to investigate all these complaints of non-banking companies because once they are registered, they never file any return before the RBI. They are not submitting their returns.

[THE DEPUTY CHAIRMAN in the Chair]

Madam, there is a circular from the RBI about repayment of deposits and payment of interests or matters of the contract between the company and the depositors. The depositors are, therefore, advised to enforce their rights through court of law. I would like to say that it would be very difficult for these poor people to enforce their rights through court of law. I request the Finance Minister to set up tribunals for this purpose. Unless a tribunal is constituted, the poor people are not going to get a single paise. There should be some provision as to when a person should approach the CLB. If the CLB is situated in Chennai, then there is no problem. But, if it is situated in Calcutta, then we will have to engage an advocate and send our people Calcutta for getting back the money. Normally, middle class people, NGOs and other poor people

deposit their money in these non-banking financial companies.

They are asking for some interest. The standard of living is very poor. They are getting some interest from them. The NGOs and middle-class people deposit money with the Non-Banking Financial Companies. But these, even though they have a lot of funds, do not care for them. A section is provided for payment within five working days on receipt of demand in any of the branches. If it fails, the company would be deemed to be unable to pay its debt. That is the reasons why I request the hon. Finance Minister to amend the law for the Non-Banking Financial Companies.

Another point is, as far as the Company Law Board is concerned, there are a number of litigations pending before it. In 1996, the total number as far as our State is concerned was 5,408. A total of 3,468 cases are pending before it. When are they going to dispose of these cases? I think, it will take at least ten years, they do not get a single naya paise from the Company Law Board. I request the hon. Minister to take care of the poor people of our country and of my State because Kerala and Tamil Nadu are seriously affected by these Non-Banking Financial Companies. They are promoting housing finance and other leasing activities. Recently, there was a judgment from the Supreme Court with regard to Non-Banking Financial Companies. There are 10,164 cases pending, as far as Non-Banking Financial Companies are concerned. The Company Law Board is taking care to dispose of these cases immediately even though they are pending. Even though a lot of cases are pending before the Company Law Board, I request the hon. Minister to take care of the poor investors by constituting a tribunal immediately.

SHRI S. VIDUTHALAI VIRUMBI (Tamil Nadu): Madam Deputy Chairperson, here today we have raised an important issue, a non-political one affecting the whole nation. There are nearly 40,000 Non-Banking Financial Companies. A Majority of these companies are looting the money deposited with them. People who have deposited in this type of Non-Banking Financial Companies,

deposited their money from their gratuity amount, pension and life savings. But, at the time of getting the money back when the term is over, they would not be able to get anything. In case they approach, they are more or less threatened by the *goondas* maintained by the Non-Banking Financial Companies.

In Tamil Nadu, we have done one thing, we have strengthened the law. On specific complaints, the promoters against whom the complaint is made, the so-called promoters, are arrested and put behind the bars. They are facing the law of the land. Also, special courts are constituted for this purpose. But in other states there is either states throughout the nation. We should know the causes and other things. Even though the RBI has fixed a rate of 16%, still the common people are looted. They are offered 16% as accounted for interest and the chunk over and above the 16%, as unaccounted. In this way they are being fooled by the Non-Banking Financial Companies. They are also offering prizes and incentives for enrolment. If they enrol three or five members, they will get such and such incentives.

So, this type of incentives are being offered. This influences the people and they fall in a trap. This is the main reason. In the matter of monthly instalments, they are exploiting the people. Suppose, a person gets a loan of Rs. 10,000 for this amount they charge Rs. 2,000 as interest in advance. Further they have to pay Rs. 1000/- as monthly instalment of principal amount that is they ask him to pay interest on a principal which is already paid. This is going on. The amount so collected is given to other people. ...{Interruptions}...

SHRI SANGH PRIYA GAUTAM (Uttar Pradesh): Madam, It would be better if you adjourn the House for half-an-hour because we have to go for lunch. Many Members have already gone for lunch. If we also go, what would be number of Members present in the House? ...{Interruptions}...

SHRI S. VIDUTHALAI VIRUMBI: Those Members who want to go for lunch, they can go. ...{Interruptions}...

THE DEPUTY CHAIRMAN: He has asked me. ...{Interruptions}... So, let me tell

him. Let this get over. It is not so that only Members have to go for lunch. ...*(Interruptions)*... The Minister who is sitting here has also to have lunch. Do you think that Ministers do not eat food? ...*(Interruptions)*... Members are free to go away and have lunch. ...*(Interruptions)*...

SHRI SANGH PRIYA GAUTAM:  
Madam, It would be better if you adjourn the House for half-an-hour. ...*(Interruptions)*...

THE DEPUTY CHAIRMAN: Let this item be over. ...*(Interruptions)*... We will adjourn the House for some time if the House so agrees. The Minister has also to eat. The Chair has also to eat. Members can go away and come back as they wish- ...*(Interruptions)*...

SHRI S. VIDUTHALAI VIRUMBI:  
Madam, what has happened is that due to credit rating as the criteria for ceiling and deposits, banks originating from foreign countries are getting some more business by utilising this concept. The Government has to find out as to how they are getting business from NBFCs. I do not want to name those banks. But, they are getting it. Madam, I feel that the RBI is in a dilemma. They have got regulatory and supervisory measures. Under section 45 of the RBI Act, they are empowered to deployment of funds. They can direct NBFCs for deployment of funds. Under section 45 MC they can direct even for winding up. In spite of all this, when some people approached the RBI, the RBI just washed off its hands. I quote what the RBI told them: "We advise that under the existing regulatory powers at its disposal, the Bank is not empowered to compel NBFCs to honour their obligations to depositors. We, therefore, regret our inability to intervene in the matter." This is what the RBI has stated in its letter. I would also like to quote what they stated further: "The repayment of deposits and payment of interest are matters of contract between the company and the depositors. The depositors are, therefore, advised to enforce their right through a court of law." It means that in spite of section 45 of the RBI Act, they want to have an upper hand. It is inexplicable. We are unable to understand the reasons behind it. I can only say that the RBI recently issued a Press note in this regard. Not only

that. Madam, when it is so, there should be some sort of a direction to the insurance companies. When this is the phenomenon throughout the country, what is the reaction of the Government? This is the point that I want to know. Madam, here I would like to quote what the General Insurance Corporation of India has stated to Deputy Governor to RBI : "The General Insurance Corporation of India has never informed the Reserve Bank of India that it will not be able to offer deposit insurance for NBFC unless it gets re-insured." This is the reply which the RBI actually received from the General Insurance Corporation. This information was disclosed by the Deputy Governor of the Reserve Bank of India, Shri S.P. Talwar, in his keynote address in a seminar. The first thing that we understand is that the RBI washed off its hands. The second thing is that the insurance companies washed off their hands. If this is the situation, then what are the other alternatives? Even the Supreme Court has directed the Government in this regard. Though there is a direction from the Supreme Court, the insurance companies have washed off their hands, so. Madam, this is the situation. Then there was a high level group constituted by the RBI and what this group has suggested is totally different. I would like to quote what this group suggested: "The Group is in favour of a deposit insurance scheme for only registered and rated NBFCs with all the regulatory and supervisory norms."

This is what the high-level group has been suggested. If it is so, what will be the position of a layman? A man who has deposited with a hope that he will get some more interest. Now, he has been harassed and sometimes, they have been tortured. The people who have deposited money are unable to get back their money. What is the way out for them? I hope the hon. Minister will reply to that. Not only in this but in every sector, you have a problem. For example, I tell you that under the FERA, one person has been penalised for Rs. 35 crores. A person has deposited about Rs. 65 crores, out of corruption in Tamil Nadu, in England. For that, the FERA has penalised for Rs. 35 crores. When the case is before them what they have to do is, first they have to

collect Rs. 35 crores or they have to find out how much money he has to deposit. After that the dispensed application will come in. The dispensed petition has to be settled; then they have to go in for main petition. But, what they have done is, they have gone first for main petition along with the dispensed application. This clearly shows that the Government is not at all interested to collect the money what he owes to them. It is very irony of a situation. First, the Government should collect taxes, find out the people who cheated the public and get the money back which has been collected by way of corruption. But, the Government has left out. I strongly condemn this kind of attitude and also request the hon. Finance Minister to see that this type of violation should not take place and the people who earn money through corruption should be given back to those from whom they have looted. Madam, this is the thing. I would like to say that as far as the interest rate and other things are concerned, the CBDT is another bonanza for these Non-banking Financial Corporation. They need not pay any tax on interest rates. It is more or less like a waiver. If this kind of waiver is allowed to agriculturists, some people cry that one day the country will become pauper. But, what we are doing is, for Non-banking Financial Corporation, we have given a bonanza that they need not pay tax on interest. As far as the non-performance assets are concerned, I feel that the Government has done a proper thing and it should be continued. I tell you that when people's hard earned money is deposited and if they are unable to get back the money then is the most irony of a situation. I hope the Government will take up this most important and urgent issue and see that these grievances of the common man is rectified in the rules and regulations that are going to be notified by them. With these words, I conclude. Thank you.

THE DEPUTY CHAIRMAN: Now, Mr. Goyalji, you just make some points because Members from your party have already spoken. So, you just make some points. If you like to put some question, you can put but not a lengthy speech,

SHRI VEDPRAKASH P. GOYAL (Maharashtra): Madam, I thought that you will give me more time since I also came from Mumbai.

THE DEPUTY CHAIRMAN: No. I am from India.

SHRI VEDPRAKASH P. GOYAL: I am also. Madam, since you have curtailed my time even before I start, I would leave my points and make a couple of suggestions. It was mentioned that the depositors have to run from pillar to post to the Company Law Board which is an impossible task to perform. I want to make a suggestion. Can the hon. Finance Minister consider that applications may be received on a special desk at the State Bank offices or at the State Bank branches because they are everywhere. Our nationalised bank branches will again send them to the R.B.I. which may have a separate desk to handle these applications. Even people living in Mumbai and Calcutta cannot reach out to the Company Law Board for all these recoveries. This is one suggestion which I would like to make.

Secondly, all these companies that have been stated are mostly in four States. Madam, Maharashtra has got 32%, Tamil Nadu has got 20%, West Bengal has got 10% and Delhi has got 8%. This makes 70% of all companies which are 2,336 in number. That is the composition. So, concerted effort has to be made only in these four States and out of these, only two States account for 60% of the deposits.

Maharashtra has got 33.5 per cent, and Delhi has got 28.4 per cent. Hence, we may not make out a case that it is a big thing all over the country, we have to take up only a few concentrated points, by which it can be handled.

Then, the hon. Finance Minister has hinted one point that they cannot afford to throw out the baby with the bath water. It is a very good point that he has made out because it was generally being impressed that the whole system was bad. What the NBFCs have done in financing infrastructure and the service sector, which provides 40 per cent of the GNP is not being recognized is being overlooked. I want to make a suggestion that the manner in

which the entire sector has been handled, has put a cloud over all the companies, good or bad, and has unnecessarily shaken the confidence of investors. The banking sector had taken a negative view. This has resulted, across the board, in the downgrading of rating of all NBFCs by the credit rating system. Investors and depositors' confidence has been badly shaken due to this knee-jerk reaction of the law, which was brought in January, 1998, that is, before this Government. The Finance Minister has to answer for a lot of sins of the previous three Governments and two Finance Ministers. I would request that he should take precaution that this important source of funding the service sector and infrastructure, is not weakened, and take actions, that this does not happen. Thank you.

**उपसभापति:** श्री संजय निरुपम। प्वाइंटेड क्वेश्चन।

**श्री संजय निरुपम:** एकदम प्वाइंटेड है। मैडम, मैं आभारी हूँ जो आपने मुझे मौका दिया। मैं माननीय मंत्री जी के स्टेटमेंट के अन्तिम पैराग्राफ की ओर ध्यान आकर्षित करूँगा। अन्तिम पैराग्राफ में उन्होंने कहा है कि

"It would be Government's endeavour to work towards a healthy NBFC sector with adequate disclosure norms...."

मैं डिसक्लोज़र नार्म्स के संबंध में, मंत्री महोदय का ध्यान आकर्षित करना चाहता हूँ। पिछले साल तकरीबन ज्यादातर एन.बी.एफ.सीज़. डिफाल्टर साबित हुई हैं। पिछले साल बहुत सारी एन.बी.एफ.सीज़. बंद हो गईं, बहुत सारे ऐसे इंस्टीट्यूशंस जिनके डिपोजिट बढ़े ही नहीं और अगर बढ़े हैं तो बहुत नॉमीनल बढ़े हैं। लेकिन हमारे देश की एक ऐसी फाइनेन्स कम्पनी है जिसका नाम है सहारा, बड़ी पापुलर कम्पनी है। उस कम्पनी के डिपोजिट तकरीबन 33 प्रतिशत एक साल में बढ़े हैं। टोटल डिपोजिट 3 हजार करोड़ रुपया अब वह बढ़ कर के 4 हजार करोड़ रुपया हो गया। यह निश्चित तौर पर बहुत चौकाने वाली फिगर है कि किसी कम्पनी का एक साल में एक हजार करोड़ रुपया बढ़ जाए यानी कुछ न कुछ सवाल खड़े होते हैं। मैं मंत्री महोदय का ध्यान आकर्षित करते हुए कहना चाहूँगा कि जो डिसक्लोज़र नार्म आप फिक्स करने जा रहे हैं, उस निर्णय के तहत, उस संकल्प के तहत, अगर हो सके तो सहारा का जो डिपोजिट 33 प्रतिशत बढ़ा है एक साल में यह कैसे बढ़ गया, इसकी छानबीन करने की

कोशिश करें। मुझे ऐसी एक जानकारी मिली है कि सहारा के इस डिपोजिट को बढ़ाने में सम्भवतः पिछली केन्द्र सरकार के किसी मंत्री का कालाधन भी शामिल है। मैं मंत्री जी का ध्यान इस ओर आकर्षित करना चाहूँगा। धन्यवाद।

**श्री यशवंत सिन्हा:** उपसभापति महोदय, मैं आभारी हूँ सारे सदस्यों का और विशेषकर गुरुदास दासगुप्ता जी का और के.आर. मलकानी जी का और अन्य सदस्यों का जिन्होंने इस ध्यानाकर्षक प्रस्ताव की ओर खींचा है। हमने जानबूझ कर अपना प्रारम्भिक वक्तव्य संक्षेप में रखा क्योंकि मैं जानता था।...**(व्यवधान)**

**श्री गुरुदास दासगुप्ता:** हिन्दी में क्यों बोल रहे हैं।...**(व्यवधान)**

DEPUTY CHAIRMAN: Why can he not speak in Hindi? Do you have any objection?

SHRI N. THALAVAI SUNDARAM: No, Madam, we are just requesting ...**(Interruptions)**... It is only a request ...**(Interruptions)**...

**श्री संजय निरुपम:** ऐसा कुछ दबाव नहीं होना चाहिए।

**उपसभापति:** दबाव नहीं है। इट इज ए रिक्वेस्ट।

**श्री यशवंत सिन्हा:** उपसभापति महोदय, मुझे याद है।...**(व्यवधान)**

THE DEPUTY CHAIRMAN: The majority of the Members who are sitting in this House are from South.

**श्री यशवंत सिन्हा:** मैं एक दफा जब इस सदन का सदस्य था और अंग्रेजी में बोल रहा था तो उस समय बड़ा विवाद खड़ा हुआ था कि मैं अंग्रेजी में क्यों बोल रहा हूँ।

**उपसभापति:** अब आप उस सदन के मेम्बर हैं इसलिए यह विवाद उठा है।...**(व्यवधान)**

**श्री यशवंत सिन्हा:** यह विवाद खड़ा हुआ था कि मैं हिन्दी में क्यों बोल रहा हूँ।

Madam Deputy Chairman, this is a very delicate issue that we are debating in this House or we had debated in this House, delicate in this sense that there is a felt need in this country which has led to the growth of non-banking financial companies. India is perhaps the only country where non-banking financial companies are permitted to accept

deposits. In most other countries where the banking system has developed, it is only the banks which are permitted to do this. As I said, the banking system in our country has obviously been found wanting in certain respects which has led to the growth of these non-banking financial companies and they have played a role. But over a period of time, and especially after the so-called liberalisation years, there has been an exponential growth in the number of these companies.

Mr. Gunlidas Dasgupta and I had the good fortune of serving on the Joint Parliamentary Committee which went into the securities scam. We had in our final report submitted to Parliament pointed out the deficiencies that the JPC noticed without going into the depth of that question. We had, therefore, made a recommendation to the Government in which we had suggested that necessary legislation should be put in place. If I could quote from the report of the JPC, it reads like this: "The Committee, therefore, recommend that the Government should examine whether the provisions in chapter 3D of the Reserve Bank of India Act are sufficiently wide to cover the necessary regulation, if not, the question of reinforcing the existing legislation or to enact a separate legislation for the non-banking companies be examined so as to ensure proper functioning of the NBFCs and also the protect the interests of the depositors." This was the recommendation of the JPC.

Now, the Governments of the day went into this question and appointed committees and ultimately and finally in 1997 January, a legislation first as an Ordinance and subsequently as a law of Parliament was enacted and this has been put in place. Now, what does it do? The basic question to which my attention has been drawn during the Calling Attention is, how do we safeguard the interests of the depositors? This is the basic question. As far as this basic question is concerned, I am sorry to point out that the legislation which was enacted in 1997 falls far short of the expectation and the requirements of the situation. Because, what does the legislation of 1997 enjoin? It says that if any NBFC fails to repay the deposits, the aggrieved depositor can file a complaint

with the concerned Regional Bench of the Company Law Board under whose jurisdiction the Registered Office of the Company is situated. Now, we all know that there are only four Benches of the Company Law Board in the four metropolitan cities. For somebody from Assam, or, for some villager from Bihar, to come to Calcutta, for instance, and file his complaint is - as the hon. Members have pointed out - if not impossible, at least, very, very difficult.

What is the other alternative? He can go to the Consumer Disputes Redressal Forum, under the Consumer Protection Act. That is also a very ineffective way of tackling this problem. Or, alternatively, he can file a civil suit. We know how much delay is involved in a civil suit and what can be the relief the depositors can get from a civil suit is something about which I do not have to really explain to this august House.

Therefore, Madam, as I said, the provisions of the 1997 amendment are far from adequate. I have no hesitation in accepting, on behalf of the Government, that we had not found this law to be adequate to meet the exigencies of the situation.

If I can point out the figures, between 1990, and October, 1996, for which we have the latest statistics, the number of non-banking financial companies has jumped from 24,000 to something like 52,000. Similarly, deposits have gone up considerably. In many cases, they lure the people. They paint a very rosy picture. They lure them into making investments. Then, these investments were put, or were deployed in a manner that they were not in a position to return the money. This is what happens.

These people build a circle. You may call it a virtuous circle or a vicious circle. Mr. Gurudas Das Gupta and many others would be aware. This is exactly what happened in the securities scam. If the Harshad Mehta circle had not come to a stop suddenly, the securities scam might, perhaps, not have come to our notice, when it was noticed. In this case also, these circles are there in operation and, suddenly, if something goes wrong, the vicious circle comes to a stop and the money is

endangered and it is lost. This is what happens.

It is not that, after the 1997 amendment, the Reserve Bank of India has not acted. Within the powers they had, they have acted. I have also mentioned in my statement the number of complaints which have been received and the number of cases in which action has been taken. But, considering the fact that the total number is so large, this remains, or, must be considered, inadequate.

Mr. Gurudas Das Gupta mentioned my State, Bihar. I must tell him. I can take the House into confidence that, every day, I am inundated with a number of requests where people come and say: 'Please get our money returned; please get our money returned'. We find that, in effect, the procedure is so cumbersome that it is very difficult to get the money returned.

Therefore, without blaming the Reserve Bank of India - they are also bound by this law - what we have to realise is two-three things. I am grateful to Mr. Rahman Khan. He made that point very forcefully. He supported me on this. One is, the NBFCs do have a role to play. We should not take any step which will completely destroy the system which has been built up.

Madam Deputy Chairperson, I was in Chennai a few weeks ago. There, a number of these hire-purchase and leasing companies' representatives came and made a presentation before me. They said: 'We have already been unduly harassed; we have already been unduly restricted by the norms which have been established by the Reserve Bank of India, as a result of which, our business of financing the purchase of trucks, etc., has gone into complete disarray'.

Now, it is fact that if you approach a scheduled bank and say: 'I want to buy a commercial vehicle', perhaps, they will not entertain your request. But if you approach an NBFC, they will not only entertain your request, but they will also make sure that you get the money. Their record - by whatever means - of retrieving the loans is also something which has been pointed out. But in most cases, they build a network whereby it becomes easy for them to collect their

instalments which are due. So, what has happened is that, by the 1997 Regulations, while on the one hand we have not been successful in giving relief to the depositors, on the other hand, the whole NBFC structure has been put in the grip of a kind of system where they are not able to operate, and many of them which may not have failed in the normal course, have also failed. This is the situation that has arisen as a result of the 1997 amendments.

Now, having realised this, what is it that we plan to do? Madam Deputy Chairperson, I am glad that many suggestions have been made by various Members who have taken part in this debate. Madam Deputy Chairperson, if you permit me, I would like Mr. Gurudas Das Gupta, Mr. Malkani and others, instead of going into a long, long rigmarole of what has happened in the past, to concentrate on what needs to be done in the future.

It has been pointed out that there is a legislation in place in the State of Tamil Nadu. Mr. Malkani pointed out that, perhaps, the RBI opposed the Regulation. I would like to clarify that there was no opposition. It was a question of the legislative competence of the Centre and the States.

It has been pointed out : while many of the NBFCs have registered themselves after 1997 with the RBI, what about those who have not registered themselves or what about those who have not even been incorporated? They are also collecting deposits. These companies which have not been registered with the RBI and those companies which have not been incorporated, are totally forbidden from accepting deposits. If they are still accepting deposits, they are violating the law like any other criminal violates the law.

What is the position here? The position is that by July, 1997 - there was a six-month period after the law came into force - 37,478 companies had filed applications with the RBI, out of which, the RBI had approved registration of 5,668 companies, and it had rejected the applications of 41 companies. Out of the total number of applications received, only, 8,500 NBFCs were found to have the minimum, net, owned fund of Rs. 25 lakhs.

They have made a distinction in the 1997 law that the net operating fund or owned fund must be Rs. 25~lakhs. if it is less than Rs. 25 lakhs, they are not allowed to accept deposits. What has the RBI done? It has said that all such companies should be given time up to January, 2000, by which time they should achieve the net, owned fund norm of Rs. 25 lakhs. They have been given time. Meanwhile, they have been told not to accept any deposits.

What has Tamil Nadu done? Tamil Nadu has enacted a law to regulate the unincorporated companies. In fact, the RBI has not opposed it. The RBI has commended this legislation to other States also. There can be a number of unincorporated bodies which will not approach the RBI and which will not be covered by this piece of legislation. There must be some other legislation which will take care of them. That is why the RBI has suggested that all the States should have a legislation of this kind. ...*(Interruptions)*...

If they are regulated properly and prudential norms are laid down as have been laid down in Tamil Nadu, we will at least have a framework to go by. I am not saying that this is the best system. If companies are mushrooming and people are gullible enough to go and make their life savings deposited with these companies, we need some safeguard.

SHRI GURUDAS DASGUPTA: I may just point this out to you. If the law enacted by the Government of Tamil Nadu makes a provision for the operation of the companies, who are not incorporated and who have not been found to be fit, according to the norms set by the Reserve Bank of India, then there is every possibility that in the name of the regulation they endanger deposits that they accept from the common people. Secondly, there will be a dual system which will be operating.

THE DEPUTY CHAIRMAN: I think the former Finance Minister, Mr. Chidambaram, had a long discussion on this issue in my Chamber. You all were present. He explained it when he brought some kind of legislation at that point of time. -

SHRI GURUDAS DASGUPTA: But, Madam, our suggestions were not accepted.

THE DEPUTY CHAIRMAN: I remember having a long discussion on it and he explained it in my chamber.

SHRI YASHWANT SINHA: Madam, the point which has been made is an important point, but the point I am making is that instead of leaving them absolutely unregulated, what the Tamil Nadu Government has done is, they have taken the initiative to see that a large area which remains uncovered by the 1997 Amendment of the RBI Act, comes within some degree of regulation.

Now, a number of suggestions have been made. Madam, I have been thinking along similar lines. I have already made up my mind and I have no hesitation in saying here that in the stock market and also as far as NBFCs are concerned, unless we have proper safeguards in place, especially for the small investors, we will never have enough investible resources in this country to be able to meet the requirements of economic growth. It is the small investor, who must sustain the economic growth in this country; and it is the small investor, who must be encouraged to take the savings rate from the present level to a higher level. If the small investor repeatedly burns his fingers either through these deposits or in the stock market, then the small investor will not come into the market and then the kind of savings we want will not take place.

A number of steps have been taken in the matter of NBFCs. We all accept these are not adequate. Therefore, we must be able to put certain safeguards in place. Now, what is it that the Government is thinking? We have already advised the Reserve Bank of India to review the regulations. I am happy to announce that the Government is setting up a task force under the Chairmanship of the Special Secretary (Banking) in the Finance Ministry. This special task force will have representatives from the RBI and from other organisations which are concerned with this. This is a task force which will not go on for months and months. I am giving six weeks' time to this task force. This task force will submit its report to me by the 15th of September, 1998. Broad terms and reference of this task force are: to go into the inadequacies of the present legislative

framework to make sure that this very dilatory procedure, which has been set up, the very difficult procedure that has been set up, is improved. A suggestion has been made by Mr. Goel, for instance, if we can permit the nationalised banks' counters to receive complaints. We will have to examine the legal framework under which this can be done; but some system, where a complainant, whose life's earnings have been lost, can come and at least be able to file his complaint and that the complaint will be entertained and that action will be taken on the basis of that complaint.

This is one of the broad terms of reference.

The second is to amend the law in such a manner that after the preliminary inquiry into the complaint has been made—without going before the Company Law Board and the Company Law Board making its recommendations to the RBI and the RBI approaching a court—we want to set in motion a summary procedure. This will enable the Government or an authorised agency, whether it is the Reserve Bank of India or somebody else to make sure that they take immediate steps to freeze, to confiscate the assets of that company so that depositors' interests are secure. This is the second aspect of the terms of reference that I am going to give to them.

The third is violation of the Companies Act, violation of the RBI norms, etc. It should be a civil thing. But there are often cases which are of a criminal nature where a cheating has taken place, where a breach of trust has taken place, a quick system should be evolved whereby we will be able to distinguish between these two types of cases and wherever we feel that a criminal offence has been committed, then authorise the RBI itself to become a complainant in such cases or evolve a suitable machinery so that a wrong-doer is brought to book before a criminal court. He does not only have a civil liability, but he is also charged under the Indian Penal Code and various provisions of the Cr. P.C.

The fourth is involving of the State Governments. For this reason. Madam Deputy Chairperson, I propose to call a

meeting of the State Finance Ministers or whoever is concerned in the State with regard to this matter or maybe every State or may States have institutional finance departments. I will also be calling a meeting before the end of September of the State Governments where we will discuss with the State Governments, their role and responsibility in regard to the entire gamut of problems which have been thrown up by the NBFC. The States have also a very important role to play. Let us realise that just as the Company Law Board has four outlets, the RBI has only 16 in number. They will not be able to function as a nodal point. So, it is important that on a dispersed basis, it covers, perhaps, every district of this country. There should be a system which will make sure that complaints are received and they are acted upon in good time.

These are some of the thoughts that I have in mind in regard to solving this problem. I am also aware of the fact that before new legislations are put in place, there is already the problem of the existing legislations. I would like to assure the House that we will do something. I know that I am making a number of assurances. The other day, Mr. Gurudas Das Gupta, interrupted me, and said: "Are you aware that you are giving assurances?" I said. "I am aware." Similarly, today also I am aware that I am giving a number of assurances in this House. I am giving them with full confidence. We in the Government are as concerned about what has happened in the entire sector of the NBFC as the hon. Members of this House are or the people outside this House are. It is with that end in view, with a view to streamlining the whole system, with a view to making wrong goings next to impossible in this sector, in order to protect the interests of small investors, we have outlined these steps.

There has been a question of insurance. Now, the question of insurance...

SHRI GURUDAS DASGUPTA: Madam, just one minute.

THE DEPUTY CHAIRMAN: Let him finish, please don't interrupt.

2. P.M.

SHRI YASHWANT SINHA: Madam, the insurance question has been raised. There is a report of the Shourie Committee which has suggested that once we are able to put all the regulations in place and the whole thing is systemised, then we must think in terms of insurance for the depositors. Now, I will also try and find out how best we can give some kind of insurance to the depositors at least as far as the registered companies are concerned. This matter will also be examined. We realise, Madam, and are very, very acutely conscious of the fact that this sector has to be reformed. If this sector is not reformed, not only will the small depositors lose their money, continue to lose their money, but a very important function which the NBFCs are performing will also not get performed as a result of which the economy will suffer.

These are thoughts which I wanted to put before the Members of this House. And I am grateful to them for having called my attention to this matter. *(Interruption)*.

SHRI GURUDAS DASGUPTA: Just one small question. I am thankful for the reply....

THE DEPUTY CHAIRMAN: No question. I am sorry.

SHRI GURUDAS DASGUPTA: The hon. Minister will agree.-

THE DEPUTY CHAIRMAN: It is not just a question of the Minister agreeing. The Chair should also agree. So, address me and not the Minister.

SHRI GURUDAS DASGUPTA: I am addressing you, Madam.

THE DEPUTY CHAIRMAN: You are a senior Member. You should not take the House for granted. I am sorry.

SHRI GURUDAS DASGUPTA: I am addressing you, Madam. I am only requesting you to permit one short question.

THE DEPUTY CHAIRMAN: Then request and let the request be granted to you first.

SHRI GURUDAS DASGUPTA: Please grant me, Madam.

THE DEPUTY CHAIRMAN: I think something is happening to the House. Everybody is doing what he likes.

SHRI GURUDAS DASGUPTA: No, I do not want to do that.

THE DEPUTY CHAIRMAN: I am sorry, you do.

SHRI GURUDAS DASGUPTA: I have a short question. I only want the Minister to kindly react to the suggestion that has been made regarding the setting up of a separate agency other than the RBI or the Company Law Board. Will the Task Force take that also into consideration?

SHRI YASHWANT SINHA: Yes. I should have covered this point, Madam, because it was raised very forcibly by Mr. Gurudas Das Gupta. This is a question which we shall examine. I have a feeling that because a substantial percentage of the total deposits in this country now are in the hands of the NBFCs—I have a feeling; I am giving an off-the-cuff reaction—that the RBI cannot be totally divorced now. But within the RBI, we certainly can think in terms of setting up a separate organisation which will look after the NBFCs and regulate them. Thank you.

**श्री सतीश प्रधान:** महोदय, मैं एक सवाल पूछना चाहता हूँ।

**उपसभापति:** सब जवाब तो दे दिया है।

**श्री सतीश प्रधान:** उपसभापति महोदय, मैं यह निवेदन करना चाहता हूँ कि ये सब आगे की व्यवस्था करने के लिए तो मंत्री जी ने बहुत अच्छी तरह से बताया है लेकिन आज की तारीख में कुछ कंपनियाँ हैं जैसे जे.वी.जी. और हाईलियास, इन्होंने बहुत से लोगों को लूटा है और उनके पैसे स्टैक पर हैं। उन्हें कोई राहत नहीं मिल रही है। इस बारे में मंत्री जी क्या करने वाले हैं, मैं इतना ही जानना चाहता हूँ।

**श्री यशवंत सिन्हा:** उपसभापति महोदय, जैसा मैंने कहा है कि हम बहुत कम अवधि में जो वर्तमान व्यवस्था है, उसमें क्या सुधार ला सकते हैं, इसके बारे में सोचेंगे और इसमें जो कानून में परिवर्तन करने की बात है, हो सकता है कि उसमें थोड़ा समय लगे लेकिन वर्तमान व्यवस्था में सुधार लाकर जिन लोगों के पैसे फंसे हुए हैं, उनको हम कुछ राहत दे सकते हैं। जहाँ तक इन कंपनियों का सवाल है, जे.वी.जी. के ऊपर कार्यवाही हो चुकी है। ऐसी 3 कंपनियाँ हैं, उनके खिलाफ कानूनी कार्यवाही हुई है, क्रिमिनल कार्यवाही भी हुई है। बाकी कंपनियों के बारे में भी हम आर.बी.आई. से बात करके आगे के लिए कार्यवाही करेंगे।

THE DEPUTY CHAIRMAN: The House re adjourned for half an hour for lunch.

The House then adjourned for lunch at two minutes past two of the clock.

The House reassembled after lunch at thirty-six minutes past two of the clock, [The Vice-Chairman, (Shri Sanalaa Bisi) in the Chair.]

THE VICE-CHAIRMAN: (SHRI SANATAN BISI): Before we take up the Short Duration Discussion, the Minister will lay on the Table of the House three statements.

### STATEMENT BY MINISTER

#### Second Ministerial Conference of WTO

THE MINISTER OF COMMERCE (SHRI RAMAKRISHNA HECDE): Sir, I beg to lay on the Table a copy of my statement made at the WTO Conference, a copy of the Ministerial Declaration issued after the Conference and also a copy of the proceedings of the discussion on Electronic Commerce. [Placed in Library. See No. LT-1388/98]

### SHORT DURATION DISCUSSION

#### Functioning of WTO and participation of India in Participation of India in International Trade Negotiations

SHRI PRANAB MUKHERJEE (West Bengal): Mr. Vice-Chairman, Sir, with your permission, I want to raise a discussion on the functioning of the World Trade Organisation and the participation of India in the international trade negotiations. While discussing the issue on the floor of the House, the hon. Minister kindly agreed that if a discussion is being raised, then many important issues which are related to the World Trade Organisation and its implication on our economy, in particular, and also on the economy of the developing countries, in general, could be discussed.

Sir, it is known to you that the World Trade Organisation was established after protracted negotiations amongst the nations, which is known as the Uruguay Round of Talks. At the

official level it was finalised in December, 1993, and on 15th April, 1994, at Marrakesh, with the seal of approval by the Ministerial Conference, the Organisation actually came to exist from 1st of January, 1995. Two Ministerial meetings have taken place, after the establishment of this Organisation, to review the functioning of the Organisation and the issue relating to it. One such meeting took place at Singapore on 5th and 6th of December, 1996 and another meeting took place recently at Geneva in May, 1998. I would like to confine my observations to three aspects with which we are vitally concerned and which we raised. The detailed information has been provided today. It was decided in the Ministerial meeting that no longer the international labour issues, the core labour standards, will be brought within the purview of the WTO. This is the assurance which was given by the concluding remarks of the Chairman of the conference at Singapore and it has also been reiterated by the Minister in his statement which has been laid on the Table of the House. That is, to a considerable extent, reassuring. But on the other issue we shall have to remain careful. I also draw the attention of the hon. Minister to the Multilateral Agreement on Investment (MAI), to which he has referred in his statement. There is a short history of MAI. Sometime in early 1995 the OECD countries, mainly European Union, United States of America, Canada and Japan—the OECD countries, not all-initiated that there should be a Multilateral Agreement on Investment. Initially the idea was that only the OECD countries would be concerned with it. But later they recommended that it should be taken up by the WTO and, rightly, at the Ministerial conference in Singapore it was opposed to. The decision which was taken was that within the purview of the framework of the WTO agreements it would be studied. We understand from the Minister's statement that presently it is being studied by the Working Group and the Working group has not yet completed its exercise. I think, once the Working Group completes its exercise this issue need not come before the WTO automatically. But from our experience we have seen, and the hon. Minister is surely