

and move fast and not slow down. It has already slowed down in the last six months. Implementation has been much more slowed down. Implement the Narasimhan Committee Report. Grant autonomy to this Reserve Bank of India in monetary matters which it had earlier during the British time. When Mr. C. D. Deshmukh. was appointed the RBI Governor, the then Finance Member, Sir Jeromy Reisman. opposed an Indian to be appointed. But they persisted, the RBI got the first Indian to be made the Governor because of their independence. Amend the RBI Act. Reduce the high interest rates and the Government must refrain from interfering with the stock market through mutual funds and financial institutions. Let them function in a proper manner. are talking about transparency But transparency in disclosure of mutual funds and F.I. operations are also required. It must be borne in mind.

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): Please conclude. We have other business.

SHRI VIREN J. SHAH: Two more points. Sir Stock-holding corporation be created for securities like PSU bonds in units and the public sector undertakings' investment the way in which it has to be off-loaded must also be done in a manner that satisfies everybody and does not invite criticism.

MESSAGES FROM THE LOK SABHA

(I) **The Jammu and Kashmir State¹ Legislature (Delegation of Powers) Bill, 1992.**

(II) **Re- Election to the Joint Committee on Offices of Profit.**

SECRETARY -GENERAL: Sir, I have to report to the House the following messages received from the Lok Sabha, signed by the Secretary-General of the Lok Sabha;

(I)

"In accordance with the provisions of rule 96 of the Rules of Procedure

and Conduct of Business in Lok Sabha, I am directed to enclose the Jammu and Kashmir State Legislature (Delegation of Powers) Bill, 1992, as passed by Lok Sabha at its sitting held on the 14th July, 1992."

(II)

"I am directed to inform you that Lok Sabha, at its sitting held on/ Tues-day, the 14th July, 1992, adopted the following motion:—

"That this House do recommend to Rajya Sabha that Rajya Sabha do elect one member of Rajya Sabha according to the principle of proportional representation by means of single transferable vote, to the Joint Committee on Offices of Profit in the vacancy caused by the retirement of Shri Som Pal from Rajya Sabha and to communicate to this House the name of the member so appointed by Rajya Sabha to the Joint Committee."

I am to request that the concurrence of Rajya in the said motion, and also the name of the member of Rajya Sabha so appointed, may be communicated to this House."

Sir, I lay a copy each on the Table.

SHORT DURATION DISCUSSION ON THE STATEMENT SEE IRREGULARITIES AND FRAUDULENT TRANSACTIONS IN BANKS AND OTHER FINANCIAL INSTITUTION— Contd.

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): At 6 o'clock we were to take up clarifications on the statement by the Minister of Railways. Do you want this to be taken up or the scam issue?

SOME HON. MEMBERS: Continue this.

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): So, we continue this. *(Interruptions)*. It was decided in the morning that we should complete this discussion I think we can complete because only 4 or 5 Members have to speak_

SOME-HON. MEMBERS: Tomorrow.

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): Almost all the parties have already spoken. I think, we should complete it today. Mr. Saurin Bhattacharji. Please conclude within three minutes.

PROF. SAURIN BHATTACHARYA (West Bengal): It cannot be done in three minutes. ^

SHRI VIREN J. SHAH: Will the Finance Minister reply today or tomorrow? If the Finance Minister is going to reply tomorrow, then we can carry on just now.

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): The Finance Minister will reply tomorrow.

PROF. SAURIN BHATTACHARYA: Sir, this cannot be discussed in three minutes.

SHRI GURUDAS DAS GUPTA: Sir, I have a submission. fed

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): What is the point?

SHRI GURUDAS DAS GUPTA (West Bengal): While we have been discussing this issue, certain questions were raised regarding the balance-sheet of banks. There was a big controversy. *(Interruptions)* Let me make my point. There was a controversy on that. There was emotion also .. *(Interruptions)*

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): No. Mr. Gurudas Das Gupta.

SHRI GURUDAS DAS-GUPTA: I am not going into that. What I want to say is, after that I have been able to go into the balance-sheets of seven banks. .. *(Interruptions)*

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): No second speech. You can write to the Finance Minister. *(Interruptions)*. At the time of reply you can ask the Finance Minister. *(Interruptions)*. After discussing so many things *(Interruptions)*.

SHRI GURUDAS DAS GUPTA; Kind-ly listen to me.

THE VICE-CHAIRMAN (SHRI JAGESH DESAI); I can't allow.

SHRI GURUDAS DAS GUPTA: First, you listen to me and then you give your judgement according to your own wisdom. I have no quarrel. You kindly listen to me.

THE VICE-CHAIRMAN (SHRI JAGESH DESAI); It is a question of time.

SHRI GURUDAS DAS GUPTA: I know that. I will not take much time. My point is, I have been able to look into the balance-sheets of seven banks... *(Interruptions)*.

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): O.K. Mr. Gurudas Das Gupta, you had made that point. When the Finance Minister replies you can again ask_

SHRI GURUDAS DAS GUPTA; T must have the right to ask the question.

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): You have made your point. *(Interruptions)*

SHRI GURUDAS DAS GUPTA: He asked me to substantiate.

THE VICE-CHAIRMAN (SHRI JAGESH DESAI); I cannot direct the Finance Minister ..*(Interruptions)*.

SHRI MANMOHAN SINGH: He said that the Reserve Bank of India has issued a specific circular .. *(Interruptions)*.

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): No. I don't want to reopen that.

SHRI GURUDAS PAS GUPTA: I have the records, I have never said circular. I have an authenticated record issued by the Secretariat.

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): Don't make any controversy.

SHRI GURUDAS DAS GUPTA: The Hon. Finance Minister must go into my question with reference to balance-sheets . . . *(Interruptions)*.

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): That is far him to deekle in what manner he wants to reply. Prof. Bhattacharya_

SHRI GURUDAS DAS GUPTA: It is not a secret discussion between me and him. He has said it in public. It is not a circular. *(Interruptions)*. The hon. Finance Minister must withdraw. I hava pot the records. There is no mention of circular.

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): I have not allowed you. At the time of reply you can make your point. *(Interruptions)*.

SHRI GURUDAS DAS GUPTA: Sir, I must be allowed to put my question to him ... *(Interruptions)*...! don't want to make a statement... *(Interruptions)* ...

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): You can do it at the time of reply. . . *(Interruptions)* ...

SHRI GURUDAS DAS GUPTA: He should reply to it and if he does not reply then I know it is because he cannot reply. .. *(Interruptions)*.

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): It is for the Minister to decide whether to reply or not. Now, Mr. Bhattacharya.

PROF. SAURIN BHATTACHARYA:
Mr Vice-Chairman, Sir, this small exchange on the one hand and the allegations of cover up on the other hand to protect the Reserve Bank of India which in many respects cannot be protected is symptomatic of what is happening to out country's economy. It has been called securities scam. It is set to reveal the drawbacks in the internal Working of the banking system. The Finance Minister sums it up by calling it a system failure. But when we look at it comprehensively what does it come to? I won't go into all the details which have been referred to by Shri Gurudas Das Gupta. He raised it today and he has been asked to raise it again when the Finance Minister gives his reply. But the question is that we have three parts in our economy. One is share market or the stock exchange. The other part is the banking system including the financial institutions and the third part is the production unit, the manufacturers' unit. Perhaps, these three together constitute the country's economy and this securities scam. This Government has come to power barely one year ago. Within this one year they are said to have affected great reforms, great overhauling of the national economy by their liberalisation in various fields, in the field of industrial policy; in the field of economic policy and in the field of trade and commerce. It was said, when in the Bombay Stock Exchange share prices rose to Rs. 4000 and Rs. 4500 that this increase was due to the new policies initiated by the Government But now ths ugly character of this buoyancy is seen in the securities scam, what the share brokers in collusion with the high officials of the Banks—Chairmen of the banks, Managing Directors of the Banks—have done to the entire system.

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): Please conclude now.

PROF. SAURIN BHATTACHARYA:
Before concluding I have to get a few answers from the Finance Minister regarding his observation. At one place he says that in this large level of pro. Mem exposure there is a flagrant and deliberate violation of the established rules and guidelines. He also says thai

[Prof. Saurin Bhattacharya]

this internal control value seems to have occurred in all the three segments of our banking system — nationalised banks, private banks and also foreign banks. The bank funds have been manipulated. It shows a serious deficiency in the operation of our banking system, the frauds lent manipulations which have resulted in large scale misappropriation. Is this failure, so-called internal failure, because of middle-level workers or is it because of the lower-level workers or the highest level, so to say, authority? If the system of supervision fails—the Finance Minister calls it system failure—it is not a question of system failure, but it is a question of deliberate overlooking of the responsibility for supervising things. It was pointed out the other day that it was the Reserve Bank of India which unearthed these things, as Mr. Janakiraman wants us to believe. But it was really the income-tax authorities who opened the doors, the knowledge of this fraud, this manipulation and this mismanagement. It is to the extent, as the Janakiraman Committee pinpoints, of Rs. 3500 crores. But the total assets involved, which is within the purview of this manipulation, of this fraudulent practice, have been referred to be of the order of Rs. 5,00,000 crores of rupees. And that only shows how all these malpractices have penetrated our economy. Who will take the responsibility for this? The Chagla Commission report was referred to by Mr. Viren J. Shah. Perhaps those days are gone. Still some democratic values are in existence. But for the colossal corruption, the Governments of the day did not undertake any responsibility and, therefore, to appeal to the conscience of the powers of the ruling powers, will all be in vain. Therefore, if we were to decide these things, we will have to take, courage in our hands and see to it that such elements are totally uprooted from our economic field and only then we will be able to have some redressal.

SHRI JAGMOHAN (Nominated): Sir, I would not like to repeat the points that have already been said and I would also not touch upon the points which have

already been disclosed by the Janakiraman Committee. I will just mention three basic points which, I think, have not adequately been touched. One basic point is that we are all forgetting, whether we belong to this side of the House or to that side of the House, that the need is to have fundamental reforms of the Indian society as a whole. What the scandal really shows is the degeneration of the Indian system, degeneration of the Indian politics, degeneration of the Indian administration and it really shows the manipulative minds of the decision-makers, whether they are in the private business or in the banking system or elsewhere. What really needs to be done is that the whole House, the whole nation, needs to think what is really wrong with us, what are the roots which are causing these problems, why we stumble from one scandal to another and from one state of inefficiency to another. Unless we attend to this problem, unless we have a reform of the total system, reform of our ideas, reform of our values, and unless we have a really honest introspection of what is going on in this nation, there will not be any real solution of the problem.

There is a reform of the economic system. Maybe, you are believing in liberalism, free market economy, globalization, etc. or in the system of socialism, public enterprises and so on. But neither will system A work nor will system B work unless you have an awakened conscience, unless you have the right type of values, unless you have a sense of responsibility, unless you have a sense of organization and unless you have commitment. What is happening these days is that we have all the necessary institutions. We have the judiciary, we have the executive and we have got the Parliament and we have got the Press also. But we have to see in what spirit they are functioning. The physical structure remains intact. I can tell you about the executive. What is the needed motivation? We must produce, we must serve, we must develop. But are we having this motivation? Are we doing all this? You go to any office today. Your work is not done because of the culture of callousness, of apathy, of indifference. That is what prevails now. You have

given me only four minutes to speak But I will give you just one example of what is happening now.

I was the Lt.Governor of Delhi. I had the privilege to work under Mr. Bhagwan Sahay, the famous ICS officer. He rang me up and said, "Please come for a minute. I am in a serious trouble .". So, I went to him. The gentleman had been struggling for his electricity bill for the last six months. He could not get the matter settled. He asked me, "Will you come and try to help me?". I looked into the matter and that is a separate issue. But what he told me was very significant. He said, "Jag-mohan, I have been the Chief Secretary of the largest State, that is, U.P.; I have been an Ambassador; I have been the Lt.-Governor of Himachal Pradesh; I have been the Governor of Jammu and Kashmir and the Governor of Kerala and what not. But I have understood the mind of the Indian administration only after I have retired". This is what he said. So, what I am saying is that we must understand the basic culture and system as a whole. We may be in politics, we may be in administration, and we may be in the judiciary. But we are not understanding the fact that unless the man behind the counter is really interested in doing a job properly, nothing will be done. Unfortunately, at present, we are combining the worst of both the systems western and Indian. We are following consumerism with all its greed and other things of the Western society and we also have our own prejudices and indifference and lack of understanding. The combination of the two systems is causing the worst disaster.

Since you have given me only four minutes, I will come to another important point and that is the issue relating to the conflict that is bound to arise between the criminal proceedings that will go on and the proceedings that will be handled by the JPC.

Now, most of the actors of the drama are those who are already involved in the criminal cases. How will the JPC call them and ask them to tender evidence I am asking this question because they can always come with the plea that

any statement made by them will be used against them or may cause prejudice even if it is not, technically, used. I think this issue has not been adequately thought over. I think this issue also needs to be thought over because I must point out that you will not get at the truth unless you question all these peo-pie who are involved in this and who have been roped in toto the legal network. Unless you do this, I do not think you will get the right type of evidence and right type of witnesses to get at the truth. Thank you, Sir.

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): Now, Mr. Upendra.

SHRI P. UPENDRA (Andhra Pra-desh): Sir, after the announcement regarding the JPC, in fact, this discussion has become infructuous. But, since it has been scheduled, I would also express my views. But I will not go into the details of the scandal or quote from "India Today" or 'Sunday' or from other magazines. I would only like to make a few observations. Firstly, there is no doubt that since Independence, there has not been a scandal of this magnitude. And the confidence of the people has been shaken in the entire economic administration. The warning signals were there as early as March or April when people in the distant villages started clamouring to buy shares in unknown companies, in closed companies, and there was such a high rise in the value of the shares. But the Finance Minister owes an explanation when he replies whether it was noticed by the Reserve Bank of India and what corrective measures they had taken when such an unprecedented boom was evident, a very unnatural boom. This scandal also exposes the loopholes in our banking administration as a whole and also the very attitude of the banks, whether nationalised or private banks. If an ordinary citizen or a farmer or a small entrepreneur goes for a small loan, they harass him and ask from him a hundred securities and make him run from pillar to post. But here is a case where hundreds of crores of rupees are just transacted in minutes this way or that way. That itself shows that there is something seriously wrong with our system itself;

[Shri P. Upendra]

with the banking system itself. And it is also evident and it has also been proved that high officials were involved in this, that there was a complicity. Otherwise, a scandal of this magnitude and a fraud of this magnitude could not have taken place without the complicity of the high officials. And I am happy that some Leads have rolled. And when I talked to the Finance Minister, I said that he must arrest them first, whoever it is, and let them prove their innocence later. And I am happy that he has done it. And he should not hesitate to take any more action if it is necessary, whether it is the Reserve Bank officials or somebody else. And this requires very stringent action. What about the involvement of the politicians also? There are so many rumours. It is the duty of the Government to clear it. It is not a good thing to allow them to spread because JPC will take a long time to submit its report. And every day you find some more names of politicians, Ministers and all that. And what is the constructive responsibility of the Ministers should also be defined here. Whether it is a crime to hold shares or whether it is a crime to buy shares by politicians or by Ministers or whoever it is should be made clear because in Mr. Chidambaram's case, there are contrary views. The newspapers themselves gave different versions. Some editorials came out that the acceptance was hasty and that it should not have gone to that extent. Therefore, again some more names may come. Therefore, I request the Finance Minister—of course, it is not within his jurisdiction; the Prime Minister should be able to answer it—that there must be some clarification in this. And the names have to be cleared because it is not good to expose these people to JPC because that will take a long time.

Then, Sir, another point which I went to make is that scandals do occur. Not only in this country, but in various other countries also they have been occurring. There was a big scandal in Japan. There were big scandals in other countries also. But what matters is the response of the Government to such an Incident, whether

the Government failed to respond or whether the Government tried to hide the facts. But at least in this case, I must say that contrary to the past practices, there has been some urgent action on the part of the Government, whether it is the constitution of a Special Court or arresting of people or confiscation of properties, etc. etc. Therefore, I feel that the Government's response has been very prompt in this case. There is no doubt about that. And the Finance Minister also has been blamed personally by some very responsible Opposition leaders. He has clarified this morning. When he has no son at all, here was a demand for the arrest of his son who was supposed to be involved. Such irresponsible statements are also coming. Therefore, if you don't clear, such things do happen. Then there was another aspect also whether it was connected with the new economic policy. Our friend, Mr. Jaipal Reddy, who is very fond of coining words and sentences, has coined the word 'Manmohanamics'. He said that it is due to Manmohanamics. But I would invite him to read an article in the 4th June issue of the 'Indian Express' written by Mr. Madhu Dandavate, my old *guru* and his present colleague, in which the specifically mentioned that the scam has nothing to do with the new economic policy. In fact, he had to blame the Finance Minister for taking credit for this boom in the stock market because of his economic policy.

I congratulate the Finance Minister and the Prime Minister for agreeing to the demand to form a JPC. That itself shows that they have nothing to hide. But they have to go a little further. Though the matter is in the hands of the Speaker, the Government should take the initiative and request him that while framing the terms of reference for the JPC, all the political parties must be consulted and should be taken into confidence. I think the Speaker has already written to the parties and the parties have responded. The terms of reference must be accepted by all the parties because previously when a similar JPC was constituted, there was a difference of opinion on the terms of reference and that led to the boycott of the JPC by some of the parties. That should not happen.

I fully support the demand that the Chairmanship of this Committee should go to one of the senior leaders of the Opposition. Anybody from a major party can be picked up. There are very experienced people; there are ex-Ministers; there are experts and ex-Comptrollers and Auditors General; many people are there. So it should go to the Opposition and I fully support that demand, because the Government has proved that they have nothing to hide and they should not hesitate to agree to this demand.

Similarly, the time-limit for the JPC must be strictly adhered to., not like the other Parliamentary Committees. They take years and years to submit the report.

My last point is, while the JPC will be at it, other criminal action should not stop. The Government must proceed with suitable action against the officials or anybody else. Criminal proceedings must continue apart from whatever the JPC might establish, and the Finance Minister must ensure this also.

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): Mr. Rajendra Prasad Mody not here. Shri Dinishbhai Trivedi. One minute only.

SHRI DINESHBHAI TRIVADT (Gujarat): Mr. Vice-Chairman, when there is death, whether natural or under unnatural circumstances by way of, let us say, murder or accident, the doctor will come and give a certificate that there was an internal system failure of that individual. That is there. But the outside world would say that he died of murder or accident. So on this system failure, while I totally may agree with the hon. Finance Minister, what surprises me most is that for the last more than 40 years, we have been following one particular system. It has stood the test of time. It has been coming from the days of Pandit Jawaharlal Nehru, Lal Bahadur Shastri, Indira Gandhi and Rajiv Gandhi. It has been there. Suddenly you find this system failure within a span of one year. I don't agree that our system was so very weak that within one year

it collapsed because of a handful of individuals. I would like to draw the attention of the hon. Finance Minister to that aspect.

Secondly, in one of my interventions, I had made an observation very early when this liberalisation was taking place and I had asked—you can go through the record: this is precisely what I had asked—if this particular system fails, do you have a contingency programme which will come as a second line of defence? That is what the system is. Supposing the lights go off here, emergency lights would come. That is what the system is. Again I would like to ask where doubts are there in the minds of the people within and outside the country that your reform system are very weak, whether you have a contingency plan by which your reforms or your system will not again fail and we may not have to hear after a period of time that it was because of system failure.

Finally, I don't want to go to Reserve Bank Governor issue; but the silver lining is that we have the reputation of the Finance Minister which is above board, which is much above board, and it is a silver lining. I can even go on record that because of his integrity, the exposures are coming, and there is no evident sign of any kind of cover-up. No kind of cover-up. That is a silver lining. I would plead with the Finance Minister. Kindly do justice as far as the Reserve Bank of India itself is concerned. Thank you very much for giving me time.

THE VICE-CHAIRMAN (SHRI JAGESH DESAI): Now, the discussion on this is over. The Finance Minister will reply tomorrow, after Question Hour. The House is now adjourned. We will meet again tomorrow, at 11 a.m.

The House then adjourned at thirty six minutes past six of the clock, till eleven of the clock, on Wednesday, the 15th July, 1992.